

SANITIZED COPY OF JOINT HEARING ON THE
IRAN-CONTRA INVESTIGATION

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United States Senate

SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

MEMORANDUM

Date: Aug. 24, 1987

To: Clair George

Date of Hearing: Aug. 2, 1987

The enclosed transcript of your recent testimony before the House and Senate Select Committees is furnished so that you may review it and make necessary typographical and grammatical corrections. Subject to Committee review, other clarifying changes are acceptable, provided they do not change the substance or context of your original testimony.

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HILARY PHILLIPS
Select Committee on Secret Military
Assistance to Iran and the
Nicaraguan Opposition
Room SH-901, Hart Senate Office Building
Washington, D.C. 20510

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HSITS 140 /87

JOINT HEARINGS ON THE
IRAN-CONTRA INVESTIGATION
Wednesday, August 5, 1987

CONTINUED TESTIMONY OF [REDACTED]

AND

TESTIMONY OF CLAIR GEORGE

HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN

AND

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
Washington, D. C.

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1 The select committees met, pursuant to recess, at 2:15
2 p.m., in Room 2172, Rayburn House Office Building, Hon.
3 Daniel K. Inouye (chairman of the Senate Select Committee)
4 and Hon. Lee H. Hamilton (Chairman of the House Select
5 Committee) presiding.

6 Chairman Hamilton. The hearings will come to order.

7 We will begin with questions by Mr. DeWin. He is
8 recognized for 20 minutes.

9 Mr. DeWine. You were the point man for the contra aid
10 program. Since the contras have been receiving a hundred
11 million from the United States, we have seen conflicting
12 reports in the press regarding how they are doing, success
13 and lack of success.

14 I wonder if you can give me and the committee a current
15 assessment based upon your own knowledge of the situation in
16 regards to the contras.

17 [REDACTED] Yes. I can. I could tell you that the
18 resistance forces on the ground in Nicaragua today are
19 doing better than we would have expected they would. We
20 think they are placing stress on the Sandinistas.

21 They have the majority of their fighting forces
22 in country, numbering [REDACTED] people.

23 Mr. DeWine.

24 [REDACTED] in country. [REDACTED] in country.

25 Fighting over large portions of [REDACTED]

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1 Nicaragua.

2 [REDACTED]
3 the resistant forces clearly have the initiative in
4 terms of forcing the Sandinistas to react to what they are
5 doing and that the Sandinistas don't like one bit what has
6 been done.

7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 I want to add our analysts don't think the strange balance
16 has shifted in favor of the resistance forces. They enjoy
17 the strategic advantage.

18 The tactical advantage is with the resistance forces
19 today.

20 Mr. DeWine. Are you getting any information back concern
21 the -- the question is more on the political as far as
22 internal support for the contras inside Nicaragua.

23 We are getting information on that.
24 [REDACTED]
25 [REDACTED]

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[REDACTED]

What we see, however, in greater clarity is the fact increasingly the population of Nicaragua is unhappy with the Sandinistas. Most increasingly angry at the 1500 percent rate of inflation working there. The Sandinistas are becoming disenfranchised.

However, those people are tending to sit on the fence right now waiting to figure out which way the wind is going to blow.

[REDACTED]

Mr. DeWine. You talk about [REDACTED] in-country. From an historical perspective, how does that compare with the number of people a year before?

[REDACTED] It is the highest ever.

Mr. DeWine. Highest ever?

[REDACTED] Ever. A year ago this time there were [REDACTED] or so in the country. It is well over doubled.

[REDACTED]

1 Mr. DeWine. Besides the high inflation that you have
2 mentioned, what else, what information are you getting back
3 about the internal economy?

4 [REDACTED] The internal economy is in absolute shambles.
5 It has been badly mismanaged. The productivity rates are
6 down, the export rates are down, the inflation rate is up,
7 machinery is breaking. It is the real Achilles heel of the
8 Sandinistas.

9 They have an economy where they have serious, serious
10 problems. The war is causing them to divert [REDACTED]
11 [REDACTED] their resources into the war effort away from the economy
12 and it is a drain on their manpower. What essentially you
13 have got is a cross ruffle going on with the war driving
14 the economy into distress, the economy is separating people.
15 The trick is for the resistance forces to create a viable
16 alternative that is attractive to the Nicaraguan people to
17 generate that late animosity at play for the Sandinista
18 regime.

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Mr. DeWine. There was one portion of your testimony that confused me. I just want to clarify. I want to go back into it a little bit. Again, the time in October of 1986, October 14 when you were in front of the House Intelligence Committee. Clair George, could you tell me -- when you walked into that meeting that day, what you thought he knew at that point? I don't quite understand what you thought he knew before you went into the meeting. I apologize if this has been gone over in this hearing.



I will try to go over it. I thought that Clair George knew that Ollie North was involved in causing things to happen for the resistance forces and that he was facilitating to some degree or to a real degree the activities of the private benefactors, the donors, so on and so forth and had been, was the Administration's point man for rallying and directing private aid to the resistance forces.

I didn't think that he had the same level of detail that I had, but he had the broad

1 outlines and knew in general details that Ollie --
2 general details what Ollie had been up to without the
3 specificity we have gone into and that I have talked to
4 about the committees today, but enough certainly to know,
5 as I think did a great many people in Washington, frankly,
6 about what Ollie was doing. I would like to sort of quote
7 what I said in my final comment to the grand jury, really
8 up until today one of the toughest questions I have been asked
9 by the foreman.

10 He said, [REDACTED] you knew and developed this
11 information over this point in time, why didn't you report
12 it to somebody?

13 And my answer was, to whom should I report?

14 People from Capitol Hill? To the White House? To the
15 State Department? To Langley? The Pentagon? They knew
16 Ollie North was around the Central American operation.
17 If people wanted to look at it in depth, it was there
18 to see.

19 It was no secret in Washington. And that is really --
20 I thought that Clair had a general understanding of what was
21 going down as did a great number of people in Washington.
22 I did not think it was a great secret.

23 Mr. DeWine. Very quickly, as your testimony
24 continued that day, did your understanding change at all?
25 Did that change it in any way? I don't know that it did.

1 [REDACTED] As I recollect, I don't think my recollection--
2 my understanding changed. I thought that Clair was answering
3 the questions on a narrow basis, focusing on the agency.
4 I think if you look at the construction of his questions
5 that is exactly what he was doing.

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Mr. DeWine. Thank you very much.

Mr. Chairman, if I could reserve the balance of my time. I don't know if I will use it or not. I may not use it.

Chairman Hamilton. The gentleman from Ohio reserves three minutes.

Mr. Rudman.

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Chairman Inouye. Senator Mitchell.

Mr. Mitchell. You were asked this morning about your testimony to the Intelligence Committees following the downing of the Hasenfus flight. I want to ask you about Secretary Abrams' testimony on the same panel before you and any conversations you had with him. When he was before this committee, I was told that his testimony regarding that was in his words completely honest and completely wrong. He said that he was unaware at the time he testified that his categorical denial of any involvement by U.S. Government officials was inaccurate.

He also made that same statement in public several times. He testified that he was not corrected by any other officials after he made those categorical statements and, therefore, repeated them and continued to believe them to be true.

Indeed, the lack of being informed otherwise by other officials apparently contributed to his confidence in their accuracy.

Now, you apparently testified this morning about your testimony at the hearing. My question is: Did you ever tell Mr. Abrams that his information was not accurate, either after a hearing or at any time thereafter during that period of several weeks when he repeated those same inaccurate statements in public?

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1 [REDACTED] I don't recall having done that, calling
2 him aside and saying "You are not right on that point." I
3 don't recall that.

4 Mr. Mitchell. Why didn't you? If you were present when
5 a government official made statements to committees of Con-
6 gress and then repeated them in public which you knew were
7 inaccurate, if you had been in Mr. Abrams' position, wouldn't
8 you have appreciated someone telling him you had better stop
9 saying that, it is not true?

10 [REDACTED] I didn't know what the status of Mr. Abrams'
11 knowledgeability was. I thought, and I don't know the man,
12 I am not going to impeach his testimony, I don't want to do
13 that, but take away conversations that I had with Ollie
14 North, various things, any glimpse I saw by then of my
15 operational activities and the understanding of just the
16 know-how operations and how that unfolded, I didn't quite
17 know how he got to where he got to, and I didn't ask him how
18 he got there. I didn't get involved with it. I didn't
19 understand, I didn't ask him about it. I just left it sit
20 there.

21 It's all part of a passivity that I described to the
22 committee just to get through troubled waters and get on to
23 the next program.

24 Mr. Mitchell. I understand you felt in an awkward
25 position then and feel in an awkward position now.

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1 Let me state it more directly, what you are telling us
2 is that at that time your state of mind was you thought
3 that Elliott Abrams knew the facts and believe he was
4 stating them, making false statements.

5 [REDACTED] No, I felt that Elliott Abrams --

6 Mr. Mitchell. The statements were false, he acknowledges
7 that now. The question is whether he knew they were false.

8 [REDACTED] I don't know what was in his mind, and I
9 can't speculate on that.

10 Mr. Mitchell. What did you think at that time? I am
11 not asking you to speculate now. I am asking what you
12 believed at that time.

13 [REDACTED] I will tell you my reaction. I was taken
14 aback by the statement, and I have subsequently talked to
15 Mr. George. Mr. George was taken aback by his statement. I
16 don't know, maybe I incorrectly assumed, therefore, because

17 I have tremendous respect for Assistant Secretary Abrams,
18 maybe I assume, which I did, I just kept my mouth shut.

19 Mr. Mitchell. Is it fair to say, although you had no
20 specific information about the state of his knowledge,
21 you were taken aback, you thought he knew the facts?

22 [REDACTED] Not the facts. I thought he would have a
23 broad brush understanding, as did a lot of other people,
24 Ollie was in and around those things. Again, I didn't know
25 how much detail. I didn't know how he got to that

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1 statement, and I left him with that statement and said he
2 has got to be comfortable with himself, he's there, and that's
3 that.

4 Mr. Mitchell. All right. Thank you. I won't press
5 that any further.

6 [REDACTED] Thank you.

7 Mr. Mitchell. You said this morning at one point that
8 because of the circumstance you found yourself in, you were,
9 I believe you said, bitter at the administration and at
10 Congress?

11 [REDACTED] Yes, sir.

12 Mr. Mitchell. Why were you bitter at Congress?

13 [REDACTED] Because I felt that it was frankly tough,
14 rough, bipartisan politics that got us here. I think that
15 the delaying -- I am going to be very frank. I thought the
16 delaying tactics of the Speaker of the House and the Rules
17 Committee attendant to the \$100 million program was tough,
18 rough, first class, big-leag political sort of legislative
19 warfare, delaying it and tying up when that bill went to
20 Conference, it got us into August, into September, it got
21 us into October. That is one.

22 Frankly, I thought that the decision of the House of
23 Representatives, once again, tough, tough partisan politics
24 that ruled CIA out of the legislation and left us in an
25 awkward and extended and difficult position, and I felt that

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1 the plea that we had made in October in large part in some
2 measure, because I had pushed the issue very hard, to allow
3 CIA to get back into support of the logistics game and
4 was ruled down in the Senate-House Intelligence Committee
5 Conference on the fiscal year '86 legislation, left us
6 hanging out.

7 In short, I felt that I had made just Herculean
8 efforts for a person in my position three times to get out
9 from under the legislative vice I was in and three times,
10 because of partisan politics, it was turned down, and I
11 couldn't see any reason for it except for partisan politics,
12 and I felt that left me in a continuing, exposed situation
13 and that -- to this day, it sticks in my craw.

14 The reason I am here is partly because of that.

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TEIN 2:45pm

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Mr. Mitchell. You are a career official in an intelligence agency and you regard disagreements over policy as partisan politics?

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4 [REDACTED] I believe, and as a career intelligence
5 official, it is my duty to serve the Administration. If
6 that administration is right in its policies, I -- in
7 my -- I serve them. If it is wrong I serve them and I
8 try and change it. If the Congress is wrong in its
9 policies and I am in a position as I was in, I serve the
10 policy and try to work with the Congress to change it.
11 That is how I see my job.

12 Now I have been in Democratic administrations as a
13 career intelligence official and I have been in Republican
14 administrations as an intelligence official, as a civil
15 servant. I served in [REDACTED] when it
16 was the policy of the Carter Administration that the U.S.
17 government had no strategic interest in [REDACTED]

18 [REDACTED] I thought it was dead wrong. I thought it was
19 a silly policy. I stayed [REDACTED] I did what I was
20 told. I served the Administration, I filed my reports and
21 tried to change the policy.

22 I came back and in this job I was in a situation
23 where I felt the Administration -- I don't feel, I know,
24 but it is still interpretative, so I will say my opinion
25 is that the Administration is dead right about Central

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1 America, the Congress is wrong and I worked as hard as I
2 could to change it.. Maybe I am wrong, maybe I am naive,
3 that there is every right to disagree, every right for
4 Congress to voice its disagreement, but when push comes to
5 shove there's got to be a boss; someone has got to make a
6 decision.

7 As I said in my opening statement a house divided
8 against itself cannot long endure, and I think that the final
9 prerogative to make a decision and the man with his hand
10 on the helm is the President, and he wanted to do it and
11 I am going to quote you Chairman Hamilton, when the law
12 passed Congress passed a very awkward law, difficult to
13 administer, put us in a terrible position, we talked about
14 it in your office, you knew we were in a bad situation and
15 you said we will try to help you implement this thing as
16 best you can, even though I'm against it. I knew it was
17 bad. I just couldn't understand it. There was a law. Why

18 give us half a loaf, why give us something that we
19 couldn't implement right. It was just ludicrous and it
20 was partisan politics because the Congress didn't like
21 Bill Casey and the Congress didn't want CIA in because of
22 the mining of the harbor and we couldn't get over our
23 internecine warfare and it shouldn't have been that way.

24 I am bitter, but it is not just Congress. I share it
25 with the Administration for hanging me out in November,

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December and January through silence.

Mr. Mitchell. I understand. You explained that. In the first place your obligation is to the Constitution and the laws, not to any administration and when you swear an oath it is to obey and defend the Constitution and the laws.

Absolutely, there is no doubt.

Mr. Mitchell. I will just say that I think it is demeaning and insulting for you to suggest that those who happen to disagree with you on policy are engaged in partisan politics, obviously used in a pejorative manner as though there is something in our system that in which a person who disagrees is acting in a partisan manner but a person who agrees with you happens to be right, and I think it is simply preposterous to suggest that those who opposed contra aid did so because they didn't like Bill Casey.

~~I would hope you would have a somewhat higher opinion of~~
the motives of those who happen to disagree with you on an issue that people would vote on important policy issues on that basis. But -- and every Executive Branch official has an obligation to obey and uphold the law, and not to select which laws will be obeyed or will not be.

I had some other questions but my time is up. I merely wanted to make that comment.

Sir, I obeyed the laws, I think the record

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1 is clear that I made decisions to stay within the laws.
2 I don't mean any disrespect for those in the partisan sense.
3 When I said partisan politics, I meant it as a descriptor.
4 As a matter of fact, I had great respect for the skill and
5 ability of the Speaker of the House and what he did, I
6 thought it was a masterful performance.

7 Mr. Mitchell. Well, it is noteworthy that you used
8 the phrase partisan politics only to describe those who
9 disagree with you, never ones to describe those whose actions
10 agree with you.

11 [REDACTED] That perhaps is a poor selection of words.
12 I don't mean to leave that out, but I do think that once
13 the Congress acted and passed a law we should have had a
14 law that we could have implemented as effectively and as
15 efficiently as possible, and we did not have.

16 Mr. Mitchell. The fact is that the President's
17 veto power gives him enormous influence in the process of
18 writing laws in the first place, and the Boland Amendments
19 themselves were the product of compromise which we go
20 through here all the time, every member of this committee
21 has been in a conference where we write the laws and the
22 Executive Branch official is sitting right there and it is
23 a three-way negotiation to try to figure out what we can
24 pass that will survive a presidential veto and the result
25 is you do get laws that are sometimes frustrating to some

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1 and ambiguous to others, and not as clearcut as everyone
2 would like, and one of the reasons for it is the significant
3 role that the Executive Branch plays in writing the laws by
4 virtue of the President's enormous power as through the veto,
5 and that is what occurred here and what occurs every day
6 when the Congress is in session.

7 Thank you, Mr. Chairman.

8 Chairman Hamilton. Mr. Rodino.

9 Mr. Rodino. Thank you very much, Mr. Chairman.

10 [REDACTED] on March 31, 1986, two FBI agents and
11 Assistant U.S. Attorney went to Costa Rica to investigate
12 allegations of gun running to the contras by John Hull,
13 Rob Owen, Oliver North, Tom Posey and others. Were you
14 aware of this investigation?

15 Mr. Rodino. Yes, I guess generally I was but I don't
16 recall it specifically. But generally I must have been.

17 Mr. Rodino. Do you recall when you became aware?

18 [REDACTED] I would have to check the record, but I
19 was -- it was roughly sometime in the spring of '86, when
20 people were looking at the lawsuit surrounding the
21 possibility of drugs and money and John Hull and such.
22 But I don't remember -- some time in the spring of '86, but
23 I don't remember when exactly without checking records.

24 Mr. Rodino. Can you recall who called this to
25 your attention or did you learn it yourself?

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[REDACTED]

In the course of my normal duties, I think

it was partially through reporting from [REDACTED]

[REDACTED]

and then I think

that it came up because a complaint was filed if I recall correctly with the U.S. District Attorney in Miami, Florida at some point in time during that year, and I read the complaint.

Mr. Rodino. When you say [REDACTED]

whom are you referring to?

[REDACTED]

Mr. Rodino. Did he then report to you regarding this investigation?

[REDACTED]

He reported to us regarding the allegations that were being done and information about the fact that an investigation was going and a suit or a possible

suit was going to be filed, and I don't recall all the details of that.

Mr. Rodino. Are you aware of any cables or other traffic concerning this?

[REDACTED]

Yes, there were cables concerning it,

but not about that.

[REDACTED]

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[REDACTED] --
(Counsel conferring with witness.)

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[REDACTED] And there were, as my attorney points out, a number of questions that we prepared in response to congressional investigations on this issue. So generally there was a lot of exchange on that. I don't remember the details of it, but it was no secret and I knew about it.

Mr. Rodino. But the cables did reflect and report on the investigation?

[REDACTED] On the FBI investigation.

Mr. Rodino. Yes.

[REDACTED] No,

[REDACTED] I don't

recall specifically cables on the FBI investigation per se. There may have been some, but I don't recall them.

Mr. Rodino. Was Oliver North to your knowledge aware of this investigation?

[REDACTED] In general terms he must have been, yes, because it was public knowledge and --

Mr. Rodino. Did he talk to you about it?

[REDACTED] Not that I can recall specifically, but it is possible in the context of one of the meetings he might have mentioned it, but I don't recall. I don't recall specific conversations about it. It is probably

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1 I guess as I think about it that he would have discussed
2 it with me.

3 Mr. Rodino. Do you know what if anything was done
4 about the investigation?

5 [REDACTED] Not that I can talk to firsthand. It may
6 be that I knew more details about it at one point in time
7 than I can remember right now. As I recall the initial
8 case was thrown out of the District Court for some reason,
9 and had to be refiled and I think the investigation may have
10 been stopped because of that or it may have gone forward.
11 I just don't know the details of it.

12 Mr. Rodino. I am going to refer you to Exhibit 41,
13 which is -- I think this was discussed today, but it is an
14 excerpt from your interview by the Tower Board and
15 you stated that a courier met Director Casey in Central
16 America some time in the latter part of November of '86,
17 probably around the 19th or so, to deliver materials so
18 that Director Casey could prepare for his upcoming
19 congressional testimony.

20 And according to your testimony, this courier
21 whom you identified this morning as I believe [REDACTED]
22 said that Director Casey at that time, you know there may
23 be a problem on diversion. My questions -- what did
24 Director Casey say when [REDACTED] made that remark?

25 [REDACTED] said it to me. He said [REDACTED]

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1 it looks like there may be a problem with Iran money.

2 There is intelligence that indicates that more was paid
3 in than came out. I just looked at him and said wow, or
4 something like that. I don't know that he told Director
5 Casey that.

6 Mr. Rodino. Was Director Casey in your presence?

7 [REDACTED] No. He was on the airplane and [REDACTED] and
8 I were standing off to one side. We were on the tarmac
9 at the airport [REDACTED] So I don't know that Director
10 Casey ever heard that one way or the other.

11 Mr. Rodino. What did you take [REDACTED] comments
12 to mean?

13 [REDACTED] What I said, that there might be a problem
14 out there with the Iran program. I didn't know much about
15 it. When I heard that I suspected that there might be
16 a problem with it.

17 Mr. Rodino. After hearing that did you make queries
18 about it?

19 [REDACTED] I did not because I didn't know anything
20 about the Iranian initiative and I kept my mind on trying
21 to get [REDACTED] and I
22 really didn't pay that much attention to it.

23 Mr. Rodino. Did you report this to Casey?

24 [REDACTED] No. He took off on an airplane to come
25 back immediately, I stayed in Central America and continued

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1 the trip and subsequent to that I may have had only one more
2 meeting with Director Casey before he died.

3 Mr. Rodino. Did you report it to anyone else in the
4 Agency?

5 [REDACTED] No. No.

6 Mr. Rodino. So there was no follow-up at all?

7 (Counsel conferring with witness.)

8 [REDACTED] No, I didn't -- no, I knew that it was
9 being followed up in the context of this thing, in the
10 context --

11 Mr. Rodino. What do you mean?

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1 [REDACTED] I knew the Director was coming back and
2 was to testify, and others were looking at this thing, and
3 I didn't -- it was not my portion of the pie, and I didn't
4 focus on it. [REDACTED]

5 [REDACTED]
6 Mr. Rodino. This didn't give you any concern when
7 he said there is a problem with this?

8 [REDACTED] It gave me a concern, but I [REDACTED]

9 [REDACTED]
10 [REDACTED] I was [REDACTED] and didn't follow
11 up on it. I didn't know anything about it, and with those
12 things you have to have one or two pieces of data out there
13 to be able to link something together. It was a passing
14 comment, and it just was a passing comment.

15 Mr. Rodino. I have no further questions, except that
16 I want to say, Mr. Chairman and [REDACTED] I have been here
17 listening to [REDACTED] testimony, and I know that at least
18 during this session of his testimony he has attempted to tell
19 us clearly whatever questions I guess were being asked of him
20 and to respond as best he could. I'm a little distressed,
21 though, and I must say so as a member of this committee and
22 as a Member of Congress, recognizing that responsible people
23 in government, and I'm sure that [REDACTED] has a responsible
24 job and certainly one that is very sensitive, but very
25 frankly, having listened this morning to your responses to

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182

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1 Senator Cohen, and then responding to Senator Mitchell, I
2 feel part of this government, and I'm sure that we all respect
3 the law and I'm sure you do, as you say you do, and the
4 Constitution, but it seems to me that when you suggest that
5 you were not happy or you felt that the Congress hadn't done
6 what you had expected them to do or what they should have
7 done and you found yourself in sort of an awkward position
8 because you believed that there was something that needed to
9 be done and you felt that you could act and act in the
10 manner in which you did, and to many of the questions that
11 were put to you by members of an intelligence committee
12 which needed information and on which I believe a good many
13 of us have to rely who are not members of that committee,
14 when we look to the Congress as a co-partner, a co-equal
15 in trying to run this government, it bothers me really when
16 you talk about, well, I was technically correct, and yet not
17 ~~actually specifically accurate, and I wonder how we are~~
18 going to run this government of ours really, and recognizing
19 that there is a need for covert actions, there is a need
20 for ensuring that we don't permit it to go beyond the few
21 people who we consider responsible, but when even those few
22 people who are considered responsible and who the Congress
23 has established as the receiving committee or the receiving
24 group are in effect deceived and lied to, I don't know how
25 we are going to run this government of ours and run it in a

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1 manner that the people are actually going to continue their
2 trust.

3 Now, I don't expect you, of course you have said, and
4 I heard you and I note that in your responses you also
5 interjected how badly you felt and how terrible it was, and
6 it was a terrible time and how you are trying to sort of put
7 it all together now, but it seems to me we ought to learn a
8 lesson from all of this.

9 Thank you, Mr. Chairman.

10 Chairman Inouye. Senator McClure.

11 Mr. McClure. Thank you very much, Mr. Chairman.

12 [REDACTED] I want to return for a moment to a very
13 early exhibit. If you will return to your book, [REDACTED] No. 1,
14 that is a November 7, 1984, memorandum from Oliver North
15 to Robert C. McFarlane.

16 The second page of that memorandum, near the bottom
17 of the page, it says, "I asked [REDACTED] if he was aware of the
18 source of the resistance funding. He told me, no, that
19 CIA had been trying to determine this," et cetera.

20 You see that statement?

21 [REDACTED] I'm looking for it.

22 Mr. McClure. Near the bottom of the second page.

23 [REDACTED] Yes, I see it. I was on page 3.

24 Mr. McClure. Do you recognize that this is not your
25 memorandum, it is that of Mr. North? Do you recall Colonel

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1 North asking you if you were aware of the source of the
2 resistance funding?

3 [REDACTED] No, but I believe this is a good point in
4 time for me to put something on the record that is not on
5 the record. The reason it is not on the record is frankly,
6 the first three times I testified to the Senate, to the
7 Tower Commission, and after that, to -- I don't remember,
8 a couple of other times, I forgot it. Then I remembered it
9 and I just didn't put it on the record. I'm going to do it
10 today.

11 At some point in November of '86, I don't remember the
12 time, I would have put it later than this, there were a
13 series of events, and I don't recall them -- I was trying to
14 figure out what was happening, and I began to wonder whether
15 or not Oliver North were not involved in something. I took
16 it to my supervisor, my supervisor took it to Clair George,
17 he took it to Director Casey, Director Casey convened a
18 meeting between Clair George, the division chief and myself
19 and Oliver North, and confronted him. He said, "Ollie, are
20 you operating in Central America?" And Ollie said, "No,
21 I'm not operating in Central America."

22 I was obliged to kind of lay out my concerns. Ollie
23 backed out of the meeting. It was about 10 minutes. It
24 was a terribly sort of awkward meeting. We left that meeting.
25 Ollie went his way, I went back and Clair George and I sort of

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1 talked about it a minute and that is where I, along with
2 Clair, decided that we were going to stay within the bounds
3 of the law, how we would handle the problem if it was a
4 problem, and it might have been this time or precipitated
5 this memo. That was the first time that I really began to
6 understand this.

7 That has never been put on the record anywhere before
8 today that I know of. I forgot the thing and didn't put it
9 on the record in my deposition because it didn't come out and
10 it didn't fit into the conversation at that time, but it does
11 now. I want it on the record. I think it begins to set
12 some of the backdrop as I develop the nutcracker that I was
13 in.

14 Mr. McClure. The second part of that sentence after
15 he told me no, it says that "CIA had been trying to determine
16 this." Do you know of any other efforts other than the one
17 you referred to?

18 [REDACTED] We were trying to figure out what was
19 happening. We were trying to find out [REDACTED]
20 [REDACTED] what was going on. We were doing
21 calculations. We were then fully collecting intelligence
22 because one of the key intelligence questions confronting
23 the Central American task force was, can the resistance
24 survive and how long. Our projections were that there was
25 no money and they were going to fall apart and they weren't

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186

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1 So we were looking at it wondering where the money was coming
2 from.



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Mr. McClure. Was that a decision made to protect the United States Government or a decision made to protect the Agency?

I think it was both, a decision done to protect the Agency and a decision to work in cooperation with the Congress, to not be in a position where directly or indirectly we might be influencing the political process or accused of that.

Mr. McClure. Was that for the government or for the Agency?

I would say for both.

Mr. McClure. If it were for the government, why was it acceptable to hand it off to North to run with these private benefactors?

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1 [REDACTED] Because we were -- we wouldn't be using
2 appropriate funds. The agency would have had no direct in-
3 volvement in it [REDACTED]

4 [REDACTED] You have to remember that if it went off,
5 I didn't know how that was working and I thought that someone
6 would just be taking care of it.

7 Mr. McClure. Thank you very much. [REDACTED]

8 I yield back the balance of my time.

9 Chairman Hamilton. Mr. Hyde.

10 Mr. Hyde. Thank you, Mr. Chairman.

11 I am going to try and moderate my approach to what I want
12 to say more in sorrow than in anger, which is difficult for me
13 to do, because I really have some things to say about partisan
14 politics, which apparently is a stranger to this committee and
15 to this Congress. There is an old saying, don't kid a kidder,
16 and it is my thesis and in that perhaps you are not alone that
17 ~~partisan politics is one of the strongest -- take partisan away,~~
18 raw politics is one of the strongest forces that moves and
19 shakes this body, meaning the House and the Senate.

20 I got a lesson in politics one day when I said on the
21 Floor while we were debating the nuclear freeze, I said to one
22 of the smartest people on Defense matters, the brightest, most
23 learned, a real leader -- I said, blank, how can you support
24 this nuclear freeze, because it harms us in negotiating arms
25 control with the Soviets, and his answer to me kind of tossed

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SLK-2

1 off was, party policy. And it occurred to me that party policy
2 is very strong around here and I got a lesson in practical
3 politics. Now we, we complain, this committee complains that
4 we bypassed the Secretary of State, we bypassed the Department
5 of Defense when we had this goofy off-the-wall Iranian arms
6 hostages operation. We were working it out of a gerrymandered
7 National Security Council with commercial cut-outs and lack of
8 accountability and that is right, I agree, I think it was
9 nonsense. But then didn't we in all our wisdom imposed upon the
10 people who worry about Central America a hybrid ad hoc gerry-
11 mandered little group called, The National Office for Humanitarian Assistance, or whatever its name was and impose upon
12 them a task of distributing humanitarian aid down there knowing
13 we couldn't get down there because [REDACTED] didn't want to
14 touch it with a ten-foot pole, looking around Washington to
15 find people with some experience on something that was unique
16 and had never been done before and blocking out the CIA,
17 blocking out the Defense Department.

18
19 Anybody that had any expertise was ineligible and that
20 was the wisdom we did. I don't want to call that partisan
21 politics. Call it stupidity if you want, but that is what
22 we did in all our wisdom. I can say that, I am protected by
23 a speech and debate clause, so I'll say stupidity. Remember
24 ignorance is salvagable, ignorance is forever.

25 You can say it was because we disliked Bill Casey or we

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190

SLK-3

1 distrusted the CIA but I don't know what we had against any
2 agency that had an intelligence capability and impose it on
3 the national office, as though one ever existed, and then
4 demand a meticulous accounting for everything they did. I don't
5 know what you call it, if you can't call it partisan politics
6 or raw politics. Let me just say, at least partisan politics
7 has a rational basis. When you get visceral politics, then
8 you go off-the-wall and it is my thesis -- nobody has to agree
9 with me -- that the visceral contempt that the President of the
10 United States was held in at least insofar as Central America's
11 policy is concerned by the Speaker of the House, had to be --
12 I don't know what else you could say. When the Speaker of the
13 House says Reagan won't be happy until he has our boys down
14 there in Central America fighting -- the Speaker said that
15 several times. In other words, the President won't be happy
16 until American boys are down there getting killed. I don't
17 know how you deal with somebody who feels that way or who gets
18 their intelligence from the Maryknoll nuns on Central America.
19 I would say you have problems dealing with that. Maybe we
20 don't call it partisan politics. Give me another name and I
21 will be happy to adopt it.

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191

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1 Mr. Hyde. This committee, the cream of the cream,
2 present company excepted, is supposed to be, and I will
3 stipulate to that, I am lucky to get in the room, but I
4 will tell you this, this committee is not above operating
5 partisan politics because a letter went from the
6 Chairmen of this committee, the two Chairmen, to Director
7 Webster on June 25 asking for certain things. It was not
8 submitted to the Vice Chairman, it was not submitted to the
9 Ranking Republican, but -- you don't know anything about this
10 carbon copies went to Senator Boren, Democrat, went to
11 Representative Lou Stokes, a Democrat, because they are
12 chairmen of their respective intelligence committees,
13 but no Republican was part of that, an important letter
14 wanting some action done by the CIA, but no Republican
15 was a part of that.

16 I don't know how you characterize that. A typographical
17 error, a secretarial oversight?

18 I don't know. But it is wrong. It is partisan politics.
19 It shows you don't trust the Republicans. That may be
20 well justified, but it shouldn't have happened, and it is
21 partisan politics. So here is one member that does not fall
22 off his chair when I hear partisan politics blamed for what
23 goes on around here.

24 I agree, I think partisan politics is stronger than
25 the sex drive on this Hill and that is saying something, and

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192

133

1 I yield back my time.

2 Chairman Hamilton. You should.

3 Chairman Inouye. Senator Sarbanes.

4 Mr. Sarbanes' [REDACTED] you said earlier at the
5 Gregg meeting you didn't like what you saw, but I wasn't
6 quite clear what it was you saw that you didn't like. And I
7 wonder if you would develop that.

8 [REDACTED] I think I didn't like what I heard would be
9 more accurate, what was going down.

10 As I reported or as I told the committee, starting at
11 about May, maybe slightly before that, I was trying to pull
12 myself back. I was trying never to get involved, to keep my
13 involvement within the bounds of propriety, within the bounds
14 of law and particularly in the summer of 1986 was backpeddling
15 as best I could to stay out of harm's way. That meeting
16 took me in a direction I thought was heading right for the
17 shoals.

18 I didn't think that it was a topic that should have been
19 discussed and I just didn't want to be there and hear what
20 was being said and get into a debate over the efficacies
21 or the pros and cons, the pedigree of whoever the
22 private benefactors were. I didn't want to be pressed to
23 associate or to associate myself with Felix Rodriguez. I
24 didn't want to be pressed to sort of buy airplanes or to
25 comment on buying airplanes or not buying airplanes. I just

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1 do. It was an operation from the U.S. as best I could see
2 from the bits and pieces of it, and was better and more
3 properly investigated by that body or someone else other
4 than us, and we did not, we undertook not to investigate it.

5 Mr. Sarbanes. What was the illegality that you feared
6 was taking place that would warrant an FBI investigation?

7 [REDACTED] I didn't know that there was an illegality --

8 Mr. Sarbanes. No, I am not saying that you knew, but if
9 you felt that an FBI investigation was warranted, what was
10 the transgression that you saw that warranted it?

11 [REDACTED] What I was saying there was if somebody
12 wants to know where the money is coming from and wants an
13 investigation conducted, then someone other than us should
14 conduct it because it was my belief U.S. citizens were
15 involved, and you can say, CIA, why don't you do it and you
16 have Executive Order 1223, all of the fall-out of the
17 Church Commission, and the Pike Commission, and you can't have
18 it, as I think Clair George said in his testimony on
19 14 October, both ways, we can't investigate U.S. citizens.
20 That is where my level of knowledge was going to take me.
21 And when I made those statements, my point was that if there
22 was more information wanted on those things, it was my
23 firm belief at that point in time that it led back to the
24 U.S. and they were U.S. donors and that was something
25 for someone to investigate other than me as a foreign

1 intelligence officer. Right or wrong, that is what I
2 believed.

3 Mr. Sarbanes. And that is the aspect of that meeting
4 that disturbed you?

5 [REDACTED] The totality of it, the fear of the unknown,
6 what was going to be discussed, where it was going, who
7 was going to say what. I just didn't want to be there because
8 I felt it could put me in an awkward position and I didn't
9 want to be in an awkward position.

10 Mr. Sarbanes. Now, let me ask you this question. I
11 have been disturbed as I have listened to your testimony
12 because I am frank to say to you I see no basis in the way
13 you have responded to feel any assurance that if placed in, as
14 you put it, in the nutcracker again, you wouldn't, in
15 effect, repeat your performance.

16 I mean, you have asserted you were put in a difficult
17 situation. I think you made the point to Senator Boren if
18 you really want to look at how things would work, better
19 look at what is happening now. Is that correct?

20 [REDACTED] That is correct. Now, and referring
21 specifically to the way in which I am executing the trust
22 that has been given to me [REDACTED]

23 [REDACTED] and the testimony and
24 in cooperation with committees of Congress in executing the --

25 Mr. Sarbanes. You are not in the nutcracker now. The

1 fact of the matter is that the substance of the congressional
2 position now and the substance of the Administration's
3 position and, therefore, the substance of your position
4 since, I take it, from your testimony on substance, you
5 agree with the Administration are all intangible.

6 The difficult situation is when the substance of your
7 position is at odds with one of those positions and in
8 particular with a congressional position. I am not quite
9 clear that if the situation had stayed as it was in terms of
10 the congressional judgment or indeed were to return to what
11 it was at the time of the application of the Boland
12 Amendment, where do I find from your testimony the assurance
13 that your performance would be any different?

14 [REDACTED] Let me answer the question first by saying
15 that I hope it is the outcome of this committee, the
16 investigation and the lessons learned, no civil servant,
17 no person in my position is placed in the nutcracker again.
18 I think if we go through the annals of American history
19 we are going to find this is a unique situation. There
20 aren't many like this one.

21 It wasn't that my personal beliefs, Senator Sarbanes,
22 were different than the Congress of the United States. I
23 have been there before. In not quite as direct a way.
24 But it was the fact that has come out in front of this
25 committee there was a dynamic working out there that I

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197

1 couldn't control that created the other side of the nutcracker,
2 the congressional side was only one part of it. The
3 administrative side was the other. And I made the decision,
4 and you can criticize me for the decision, that I was
5 within the bounds of the law and I would be very careful each
6 step of the way to stay inside the bounds of the law, do
7 anything and everything I could to support the Administration
8 in its policies.

9 And I did that. I would hope this would never happen
10 again. If I am put in this situation again, I don't know
11 how I will respond. It is hypothetical. I hope to God I am
12 never there, I will work doubly hard not to get there again
13 and I probably will respond differently because, quite
14 frankly, I don't have the physical nor the moral energy to
15 go through this thing again. That is the bottom line.

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198

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1 Mr. Sarbanes. Let me add something to this, because I
2 don't think it is simply a question of in a sense saying you
3 don't have the physical or moral energy to go through it
4 again. I think if you are in the posture of having to say
5 to this committee, upon examining your actions, particularly
6 with respect to the testimony that you gave, as questions
7 were presented to you, and your answers previously in
8 response were given to you where you finally had to say,
9 well, those answers were technically correct but specifically
10 evasive, I don't think at that point that you are dealing
11 with a Congress, which is after all also an essential part
12 of our government, in a forthright, good-faith manner, and
13 it seems to me that it is out of that issue that I perceive
14 your difficulties to have arisen.

15 I mean, I understand where you were in terms of the
16 pressure on you within your organization in terms of your
17 activities, but then to come to the Congress and participate,
18 as you did, in terms of not replying, replying evasively,
19 dissembling, it seems to me at that point you, in effect,
20 have passed beyond being within the ambience of certainly
21 the spirit of the law.

22 [REDACTED] I would take exception to the word dis-
23 sembling, I didn't think I dissembled. In times of crisis
24 and pressure, each one of us makes our decision. I made
25 mine, I live with it. I can't say anything else.

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1 Mr. Sarbanes. Well, I just -- the only point I want to
2 make --

3 [REDACTED] I appreciate what you are saying.

4 Mr. Sarbanes. -- is that assertion, which on its face
5 is candid and forthright, does still not address the sub-
6 stance of the problem. It doesn't give me any reassurance
7 in the future if a comparable issue should arise for you to
8 say, well, you make your decision and you live with it,
9 because you know you may very well make the same decision and
10 decide to live with that decision again in the future.

11 [REDACTED] I don't mean to be flippant, but my mother
12 teaches me actions speak louder than words. I can say
13 mea culpa, I am sorry. All I can say, my actions and the way
14 I manage my operations that were not attendant to the nut
15 cracker I think speak loudly for themselves. Frankly, I
16 enjoy interpersonal relationships, I enjoy working with
17 Congress, I enjoy a spirited debate, and the situation
18 troubled me then, it troubles me now. I can't do anything
19 that is going to set your mind at ease, I can tell you like
20 it is.

21 I can tell you, look what I did before, look what I
22 doing now, you have to make your own judgment. I would like
23 to be more --

24 Mr. Sarbanes. Maybe it helps if you at least know that
25 some of our minds have not been set at ease?

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1 [REDACTED] Yes, I understand that.

2 Mr. Sarbanes. Thank you, Mr. Chairman.

3 Chairman Inouye. Senator Nunn.

4 Mr. Nunn. I am sorry I haven't been able to be here for
5 all of your testimony. I don't want to repeat things, but
6 I want to ask one or two questions. I understand you have
7 already testified you did not know of the diversion of funds
8 from the contras to the contras from the Iranian arms sales.

9 [REDACTED] Yes.

10 Mr. Nunn. When did you first learn of that?

11 [REDACTED] In spades, in definitive terms, on the
12 Tuesday, it was just -- just before it was announced by the
13 Attorney General. There was one indicator, as Congressman
14 Rodino pointed out some days earlier, in that there was a
15 discrepancy that may be looked at, but I did not assign
16 significance to that at that point in time.

17 Mr. Nunn. Did you ever have a conversation either before
18 or after that time, that Tuesday, that you learned of the
19 diversion, did you ever have a conversation about the
20 diversion either before or after that period with Director
21 Casey?

22 [REDACTED] No.

23 Mr. Nunn. Did you ever have anyone tell you that
24 Director Casey knew about the diversion?

25 [REDACTED] No.

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1 Mr. Nunn. You have never had a conversation with any-
2 one in the CIA about whether Director Casey knew about the
3 diversion?

4 [REDACTED] The discussions I had about it were after
5 we returned from the trip to Central America, as best I can
6 recall them, and it was, I was a peripheral sort of inflow
7 addressee is the best way to put it, about the Roy Furmark
8 letter or the Roy Furmark claims, the [REDACTED] claims, and
9 those other sorts of things that went back and forth.

10 But I never had a specific conversation with Director
11 Casey about it, nor do I recall having specific conversa-
12 tions with anyone else. I was the sort of kibitzer on the
13 side of the main action.

14 Mr. Nunn. Let's strike the word "specific conversation"
15 and leave the adjective off and ask whether you have had any
16 conversation with anyone in the CIA about the diversion.

17 [REDACTED] I just said yes, that we talked about the
18 Furmark memos and talked about the [REDACTED] memos and so
19 on and so forth. But it's all kind of a melange in time,
20 and I don't know exactly when it happened. My recollection
21 would be in December when things were sorting out and stuff
22 was coming down.

23 Mr. Nunn. December of 1986?

24 [REDACTED] Yes.

25 Mr. Nunn. Well, has anyone, either in or outside the

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1 CIA or inside or outside the U.S. Government, told you that
2 Director Casey knew about the diversion?

3 [REDACTED] Not -- I have heard what I have heard in
4 the context of these hearings. No one else has ever told me
5 anything about that except after December the letters,
6 the Roy Furmark meetings, and those sorts of things that I
7 learned about sometime in December, but no one ever came up
8 to me and said Bill Casey knew about it prior to that time
9 or didn't know about it. No, I am pretty specific about
10 that.

11 (Witness conferring with counsel.)

12 [REDACTED] Prior to this, and I don't know when it
13 was, but one time, and I have been searching my memory,
14 it's sort of like the computer going round and round and
15 round trying to dredge things up, I do recall the Director
16 asking me, saying, [REDACTED] what do you know about where this
17 money from the Resistance is coming from, and do you know
18 about it?" I said, "I don't know much about it," and he
19 said "Neither do I." I kept away from it. I haven't asked
20 the questions on purpose, and that kind of left it there.
21 That was about the only time the Director ever really raised
22 those issues with me.

23 Mr. Nunn. About what timeframe would that have been?

24 [REDACTED] Sometime in '86. I couldn't put my finger
25 on it. It was one of my meetings with the Director. I

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1 would put it in the -- I am guessing -- but I would say
2 sometime in the April to June timeframe of '86, and that is
3 a real guess.

4 Mr. Nunn. That would have been before the letter came
5 from the Canadian businessman and so forth?

6 [REDACTED] Yes, I am certain before that.

7 Mr. Nunn. Tell us again as nearly as you can what
8 Director Casey said about that.

9 [REDACTED] What it was, I was standing getting ready
10 to leave the room, and he said [REDACTED], he said, "what do
11 you know about those, about the funding for the Resistance
12 Forces?" And sort of how it's being done and what Ollie is
13 doing. And I said, "Not very much, I don't know where it's
14 come from, I have stayed away from it."

15 He said, "So have I, I haven't asked any questions
16 about it, I don't want to know about it. I've kept myself
17 ignorant." That was the thrust of it.

18 Mr. Nunn. Where was that conversation?

19 [REDACTED] In his office.

20 Mr. Nunn. Was anybody else there?

21 [REDACTED] No, me and he.

22 Mr. Nunn. That is the only time you ever had a conver-
23 sation with Director Casey about the diversion?

24 [REDACTED] That's not about diversion, that was about
25 funding, in general. It was the only time I ever really

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1 talked with him about that. Wait, there's one other one.
2 Before Thanksgiving -- when was Thanksgiving? Does anyone
3 have a calendar? Was it the 17th? Something like that.
4 I got a phone call from Miami from Director Casey. I was
5 at my office, I don't remember the date or the time, but
6 he was on vacation in Miami, and it was when this whole
7 thing was in full blow, and he said, he called me up and he
8 said, "Don't worry, [REDACTED] we haven't done anything illegal,
9 I first learned about this thing from Furmark and reported it
10 right away, I don't want you to worry."

11 Mr. Nunn. So he specifically told you he didn't know
12 about it before then.

13 [REDACTED] That is what he told me. He said, [REDACTED]
14 don't worry." As you might guess, this whole thing is
15 public, and my heart is in my mouth where it has been eight
16 months. He made that phone call, I was a little taken aback

17 by it. It was from Miami. It was a secure line phone call.

18 Mr. Nunn. You never heard anyone else, either in the
19 CIA or otherwise, apart from these hearings, say that
20 Director Casey either knew or didn't know?

21 [REDACTED] No. We have talked about it and speculated
22 about it. No one I have talked to said he knew about it.
23 Nobody knows. Those are two instances in which he made
24 comments to me.

25 Mr. Nunn. Do you know Colonel North?

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1 [REDACTED] Yes.

2 Mr. Nunn. Did you know him pretty well?

3 [REDACTED] I would say I knew him very well as a
4 professional acquaintance. I didn't know him well as a
5 social acquaintance.

6 Mr. Nunn. Did you hear his testimony where he said
7 Director Casey knew and they talked about it many times?

8 [REDACTED] I didn't see it all, I saw snatches of it,
9 and I read most of his deposition.

10 Mr. Nunn. I would like to ask you whether you believe
11 that testimony.

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206

1 [REDACTED] Sir, with your indulgence, I don't want to
2 engage in opinions on it unless you really, -- I don't know
3 what to believe. I can tell you another vignette which I will,
4 that will give you another side of Director Casey. At one
5 point in time, I was in his office and he said, "You know,
6 [REDACTED] "he said, "so and so said that I had terminal cancer.
7 Isn't that preposterous? Isn't that the most ludicrous thing
8 you heard? Do I look like a man with cancer?" I said, "No,
9 you don't." Well, he did. And I had no idea. So I mean the
10 man -- I just don't know what to make of it. It is possible
11 he did, it is possible he didn't. I walked out of that office
12 that day thinking he didn't have cancer and he was going up to
13 New York, I guess, for treatment of prostate cancer sort of on
14 a recurring basis and I didn't have a clue about it.

15 Mr. Nunn. So at the time he told you that he knew he had
16 cancer?

17 [REDACTED] I would guess he did from what I understand.
18 I don't know all the details but that is what I concluded.

19 Mr. Nunn. So you wouldn't know who to believe in that
20 situation knowing both Casey and North?

21 [REDACTED] I wouldn't want to bet on it.

22 Mr. Cohen. If the Senator will yield. You talk about
23 playing with words. He did say terminal cancer didn't he?

24 [REDACTED] Yes. I wouldn't want to bet on it one way
25 or another. I wouldn't want to speculate on it. I will say

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207

SLK-2

1 this from where I stand, I think there was a lot of truth in
2 Colonel North's testimony. I never knew Colonel North to be
3 an absolute liar, but I never took anything he said at face
4 value because I knew that he was bombastic and embellished the
5 record, and threw curves, speed balls and spit balls to get
6 what he wanted and I knew it and I knew it well.

7 Mr. Nunn. Have you ever known anyone you would call an
8 absolute liar?

9 [REDACTED] No, not absolute. I do know that I have seen,
10 I have seen I guess the way to put it, I have seen Colonel
11 North play fast and loose with the facts. And I think the
12 record will substantiate that. But, on the other hand, I
13 believe that there is a, from where I sit, from the glimpses
14 I saw of this thing as the train windows went by, there was
15 a lot of fact in what he said too.

16 Mr. Nunn. A lot of what?

17 [REDACTED] Fact.

18 Mr. Nunn. Did Colonel North ever give you false informa-
19 tion?

20 [REDACTED] I would assume he did.

21 Mr. Nunn. Can you tell us what that was? Do you recall?
22 Do you know specific instances?

23 [REDACTED] No. Let -- the specifics aren't in my mind
24 where he did give me false information but I know there were
25 lots of times I suspected he was putting the spin on something

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SLK-3

1 that wasn't exactly the way it was. An attempt to influence the
2 way things come out. He dropped names a lot.

3 Mr. Nunn. Let me just ask you one closing question. In
4 this business of covert activities you are involved in it, we
5 are in a different world, we see part of your world, not all of
6 it, and I sometimes have great sympathy for the position I know
7 you all find yourselves in dealing with covert activities, but
8 how important is it in dealing with colleagues in covert areas
9 -- I am speaking of people in covert areas in the Executive
10 Branch -- how important is it to them?

11 [REDACTED] You can't lie. You have got to believe each
12 other. Believe me, in the world in which I live and work, you
13 have got to have a moral compass, a moral anchor. It keeps you
14 clearly defined on where you are going, what you are, and what
15 is truth and what is lie. If you don't, you will go virtually
16 go and crash. We live in a schizophrenic world, a world where
17 we deal with the lie as a tool of the trade. We deal with
18 deceit, deception and manipulation in a positive and negative
19 sense. You can't lose sight of your moral compass, or you will
20 end up like Terpil, Wilson, Cline or those people who did lose
21 sight of their moral compass.

22 Mr. Nunn. Colonel North started his testimony before
23 revealing he had misled people to the point, some would call it
24 like that, covert activity is a lie in itself and the clear
25 implication from that was once you undertake covert activity

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SLK-4

1 being a lie in itself, everything that flows from that it seems
2 by implication is excusable. Do you agree with that philosophy?
3 [REDACTED] I don't think covert activity is a lie, I
4 think covert activity is a range; it is an operation undertaken
5 to influence an event. You may deal in truth, in lie, colora-
6 tion, wherever possible. As a standard operating procedure,
7 we try to deal with truth. Truth is an easier thing to defend.
8 We don't like to deal in lies even disinformation because you
9 get caught up in it. That doesn't mean we won't. But by and
10 large our preference is to deal with truth. It is a deception.
11 It is something that is designed to deceive, and frequently the
12 recipient of the action or the viewer of the action, but to call
13 it a lie in itself is only true in some regard -- with regard
14 to its deniability.

15 Mr. Nunn. Well, is it fair to say, and I know my time has
16 expired, this is the last question, Mr. Chairman: is it fair

17 to say that those who deal with covert activities in the
18 world of deception, in the world of secrets have to trust each
19 other? Is that a fair assessment?

20 [REDACTED] Absolutely. If you can't trust each other,
21 you are dead in this world.

22 Chairman Hamilton. The Chair would like to point out
23 Mr. George is waiting. I have three, or four I guess additional
24 people on my side and the Senate has three.

25 I would like very much to get into Mr. George's testimony

SLK-5 1 today if at all possible. So, I just advise members of that.

2 Mr. Fascell.

3 Mr. Fascell. Thank you Mr. Chairman. [REDACTED] as
4 Central American Task Force director, are you part of operations

5 [REDACTED] Yes, I am.

6 Mr. Fascell. Did you serve on the RIG?

7 [REDACTED] Yes I did.

8 Mr. Fascell. Did Director Casey charge you or task you as
9 director of Central American Task Force to do anything with
10 regard to the Nicaraguan operation at any time?

11 [REDACTED] Oh, I am sure he did, yes. We would discuss
12 it frequently. He would have me come to lunch and we would
13 talk about it. And there were many times when he said

14 [REDACTED] do this or do that or do the other thing. Largely, in
15 response to my recommendations, however, I can't remember a
16 specific time when he said [REDACTED] I want you to do that. He
17 generally deferred to me.

18 Mr. Fascell. [REDACTED] as director of the Central Ameri-
19 can Task Force, if you undertook a new operation, how did you
20 get your orders?

21 [REDACTED] We would --

22 Mr. Fascell. Did Casey give you the order?

23 [REDACTED] It depended on the breadth and sensitivity of
24 the operation. If it was a recruitment operation or a continu-
25 ation of an operation largely undertaken, I would make the

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211

SLK-6 1 decision. If it was another, at a higher level of sensitivity,
and SLK 2 Clair George would approve my action.

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1 Mr. Fascell. You didn't take any action on your own
2 though?

3 [REDACTED] I did.

4 Mr. Fascell. You have the authority?

5 [REDACTED] Yes, I do.

6 Mr. Fascell. Without knowing what the task is?

7 [REDACTED] I beg your pardon? I don't understand
8 the question.

9 Mr. Fascell. Well, if you don't know what you are
10 being tasked for, how can you take authority to do anything?

11 [REDACTED] I think that by and large I thought I knew
12 what I was being tasked to do.

13 Mr. Fascell. That is verbal; it is not in writing?

14 [REDACTED] It is in the context of an approved policy
15 papers that are very broad and very general, finding scope
16 papers --

17 Mr. Fascell. Did you have one with respect to
18 Nicaragua?

19 [REDACTED] Yes, we did.

20 Mr. Fascell. And when was it issued to you?

21 [REDACTED] It was there when I came in the task force.
22 And it was modified several times through as laws changed
23 and as we went forward through the years.

24 I might add I initiated a lot of those things. I
25 formulate the operations, and then they are approved and

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1 they come back to me.

2 Mr. Fascell. You had to send it up the line?

3 [REDACTED] Yes. Level of sensitivity is the main
4 deciding factor.

5 Mr. Fascell. Have we got those modifications and
6 variations of the task in this committee? Can anybody on
7 the staff tell me? I would be curious anyway to see it.

8 When NSC took over the operations as distinguished
9 from you running the operations, and you distanced yourself
10 from detailed knowledge, as I understand your testimony, as
11 part of compliance as CIA saw it, because CIA could not be
12 directly or indirectly involved, that responsibility left
13 you and went to North.

14 [REDACTED] Never explicitly stated.

15 Mr. Fascell. No, but that is what happened, as a matter
16 of fact?

17 [REDACTED] I think that that is self-evident.

18 Mr. Fascell. You served on the RIG?

19 [REDACTED] Yes.

20 Mr. Fascell. Why did you serve on the RIG when the
21 burdon was transferred? There wasn't anything you could
22 do.

23 [REDACTED] We still had statutory responsibility for
24 providing intelligence to the RIG and also on the other side
25 of the equation, [REDACTED]

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Mr. Fascell. So basically it boiled down to by necessity a joint operation in effect, although you tried to distance yourself from it at the time when it became clear that the CIA should not be directly or indirectly involved?

[REDACTED] I tried to keep myself out of it almost right from the beginning, very, very early on in the process.

Then as time wore on, I think that the magnitude of it and the complexity of it sort of drove people together. There was a natural force, I think, that it was --

Mr. Fascell. But you had determined by then that this was an operation over which you had no control?

[REDACTED] Absolutely, that is right.

[REDACTED]

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Pages 215 and 216
denied in their entirety.

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1 that was in December, when everybody thought that I had
2 provided him a Swiss bank account and was somehow involved
3 in the whole Swiss funding mechanism, the first days of this
4 investigation was untangling the facts and making sure every-
5 one understood what I did.

6 The answer to your question is, no, I did not know
7 that.

8 Mr. Heflin. Has Colonel North or Mr. Abrams or
9 anyone given you any explanation as to why the bank account
10 that you set up was not to be used?

11 [REDACTED] I accept the statement that Elliott Abrams
12 made in his testimony. At that time I said that the meeting
13 in the Pentagon in November was part of the real tug of war
14 going on between CIA and the State Department on the
15 structure and management of the program, which at the time
16 I didn't understand because we had had fairly close working
17 procedures before then, but after Secretary Shultz's testi-
18 money, I understood it a bit more clearly. And I think
19 Elliott's explanation there was absolutely plausible. He
20 wanted to control it because he wanted to reduce CIA
21 influence in Central America.

22 Mr. Heflin. Colonel North testified that when he left
23 the government on 25 November that the aid that had been
24 voted in October, part of the \$100 million aid to the
25 contras, had not yet at that time got in the pipeline and

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Mr. Fascell. Thank you very much.

Chairman Inouye. Senator Heflin.

Mr. Heflin. In regards to the account Elliott Abrams wanted to set up and you testified about that earlier, was there any discussion with Mr. Abrams or any other official of the government that you had that he had acquired an alternate bank account number from the Brunei donation to be deposited in?

No. And the first time I heard about

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1 been delivered to the contras.

2 Would you give us an approximate date whenever that
3 was starting to be received by the contras?

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the major impact of it

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wasn't felt until December.

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14 Mr. Heflin. So now the humanitarian aid ended on
15 March the 31st but some was in the pipeline, and he testified
16 and documentary evidence verified that he thought it would
run out around the end of May.

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I believe that you testified that you felt that -- you
had made the statement it would run out around the end of
July. But from July to December, was there any evidence
that you observed, learned about through documentary or
voice or any other manner, either before or during this
going on or afterwards that would indicate where the
humanitarian aid was coming from during that period?

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Let me first correct the record. Ambassador
Duemling and I calculated the aid out and we calculated that

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1 it would last through the end of June and perhaps a bit
2 longer.

3 In fact, I think it ended about the first week of July.
4 From that point forward, all of our evidence indicates that
5 the resistance had no money. They started to accumulate
6 a debt [REDACTED]

7 [REDACTED]
8 [REDACTED]
9 It was very clear that they were not -- I repeat --
10 it was clear that they were not getting any money.

11 Mr. Heflin. All right. So now the Hakim-Secord
12 enterprises, their account, as reviewed by our accountants,
13 would indicate that during this period and during the entire
14 period that they made any contribution, it was about \$3.5
15 million, and according to their reviews of these accounts,
16 none of that went to humanitarian aid, that theirs was

17 largely transportation-related expenditures, and I believe
18 you have told us that -- about the airfield [REDACTED]
19 and the fact that it really didn't play a part -- I think
20 our records would indicate that we have got something in
21 the neighborhood of around \$320,000 that was spent there.

22 Did you see any evidence other than transportation-
23 related expenses that -- expenditures that came from the
24 Hakim-Secord enterprises?

25 [REDACTED] The short answer is no, and let me point

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1 out that when I testified in front of the Senate committee
2 on 9 December they asked me, I think it was in my testimony,
3 if not, they asked me afterwards how much money I really
4 thought had gone to the resistance forces during the time
5 in question, and my guess was between \$3- and \$4 million,
6 and was it all transportation. There is a possibility that
7 there may have been some arms deliveries in that time frame,
8 but I'm almost certain that from July forward there were
9 no deliveries of any type, either arms or food, consumables
10 that went to the resistance forces.

11 Mr. Heflin. According to the accounts that we have --
12 they may not be fully complete, but they would reflect that
13 moneys from foreign countries, moneys from the Miller-
14 Channell operation, all moneys either went into the Hakim-
15 Secord accounts or into Calero's accounts as far as we know
16 from donations from third parties or from countries.

17 Do you know of any other fund that could have come from
18 other sources that would have been of aid to the contras
19 during the year of 1986?

20 [REDACTED] No, sir. As I testified, I didn't know
21 where any of the moneys came from until this revelations
22 growing out of the proceedings after January, and I don't
23 know of any others or how that money was handled.

24 Mr. Heflin. Did you see any evidence that would
25 raise a suspicion that it would come from sources other than

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1 what I've enumerated? That is the foreign government's
2 contributions, the Miller-Channell types, what Calero
3 raised on his own and went through is bank accounts.

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[REDACTED] Yes, let me be specific, not with

Calero or the FDN or people in the North, but with the
remnants of ARDE, of Pastora we developed information that
they were receiving money from cocaine trafficking.

Mr. Heflin. But not in the north --

[REDACTED] No, we have looked at that as closely as I
can. We see no indication that anybody in the north or
anybody currently active in the resistance has been involved
in drug trafficking. We see considerable evidence, I think
much of it has been talked about now in public, that people
in and around Eden Pastora were in fact involved in cocaine
running to the United States to raise revenue for their
cause.

Mr. Heflin. Mr. Chairman, I have no further questions.

Chairman Hamilton. Mr. Boland is recognized for 10
minutes.

Mr. Boland. Thank you, Mr. Chairman.

I am a little distressed with one of the answers you
gave to Senator Mitchell with respect to the fact that this
is a very partisan issue, the issue of contra aid, and it
is of course and everyone is entitled to his own opinion on
whether or not aid should have been supplied to the contras
and whether or not that was the best program for the
Administration to pursue.

I thought for a moment that I heard the voice of

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224

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1 Admiral Poindexter, who said that one of the reasons for
2 the great delay and one of the reasons for the problem in
3 Central America with respect to the contra aid was the
4 Speaker in that he dragged his feet in this particular area
5 and on what ultimately led to the appropriation. I thought
6 I would set the record straight at that time and I would
7 like to set the record straight now.

8 I will put into the record the dates and the actions
9 of the Congress from February 25th when the President
10 made his initial request for a hundred million dollars to
11 the Congress and wound up with the CR that he signed on
12 October 18th. The request came on February 25th for the
13 hundred million dollars. March 20th the request was
14 debated in the House 210 to 22. On March 27 the request
15 was approved in the Senate 53 to 47. On April 16th the
16 second House vote on the supplemental of the President's
17 request was tabled because apparently the leadership on the
18 Republican side I presume didn't think it had the votes so
19 the Republicans voted for the Hamilton substitute of
20 \$27 million for humanitarian aid.

21 On June 25th the House approves a request in a
22 Military Construction appropriation bill, 221 to 209,
23 a great victory for the Administration. On August 13th the
24 Senate passes the Military Construction bill containing
25 the contra funds. August 14 recess begins and in September

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1 8th recess ends.

2 September 25th the continuing resolution passes the
3 House with contra aid included. October 3rd the continuing
4 resolution passed the Senate. October 15th the continuing
5 resolution, the conference agreement passes the House.
6 October 16th the continuing resolution conference agreement
7 passed the Senate.

8 October 18th the CR was signed by the President.
9 Where do you find the Speaker dragging his feet or
10 acting partisan politics in that particular litany, will
11 you tell me?

12 [REDACTED] Congressman Boland, I am not a legislative
13 specialist. I was probably getting my information and
14 my impressions from exactly the same sources that Admiral
15 Poindexter was, and it grew out of the legislative meetings
16 I attended at the White House and that was the impression
17 that was at play there. If it is wrong, I stand corrected.
18 I would have to review the record.

19 I would have to look at the agendas. It is not
20 something I am an expert in and it was --

21 Mr. Boland. If you are going to make the change that
22 the action on this particular bill was prompted by politics
23 because of the Speaker's position, then I think you ought
24 to set the record straight for yourself, which you said
25 you would do.

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1 Let me also say I am a little distressed about the
2 response you gave again to Senator Mitchell's questioning
3 when you indicated that some people didn't like Casey. I
4 happened to like him and I became the first chairman of the
5 House Permanent Select Committee on Intelligence back in
6 1977. That was at a time when the CIA had some problems
7 and President Carter wanted to get a separate committee on
8 the House side as the Senate did a year before us for the
9 purpose of making sure that not too many Members of the
10 Congress would be privy to top secret information, and the
11 House responded and that committee was set up.

12 I think it performed a valuable service to the entire
13 intelligence community and as a matter of fact, Director
14 Casey liked it so much that he awarded me the CIA Agency
15 Seal Medallion. That doesn't go to too many people.

16 In addition to that, there was a commendation sent
17 to me and I indicated this was a commendation sent to
18 me because of the committee's action, not particularly
19 my leadership, but the committee itself, from General Faurer,
20 who was a director of the National Security Agency and
21 another citation from General Tigue, who was the Director
22 of the Defense Intelligence Agency, all these agencies more
23 heavily involved in intelligence than any of the other
24 intelligence agencies of the United States government.
25 So it comes to me as quite a surprise you would say Members

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227

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1 didn't like Casey.

2 One thing Casey had, Casey had the ability to win
3 the friendship of those with whom he conversed, didn't
4 always win the battles, sometimes it was difficult to
5 understand him.

6 In any event, I think I can say that he did have the
7 respect of the Members of Congress and I think he did
8 a lot for the Agency. As a matter of fact, the Agency
9 was built up in dollars and in personnel heavier in those
10 7 years than it had ever been built up before. There
11 was a question about whether or not we built up a human
12 intelligence. It was built up considerably.

13 Bobby Inman was a director who complained about the
14 fact that the analytical section of the intelligence
15 community was weak, that was strengthened and this committee
16 was congratulated. So it is rather disturbing that you
17 would sit there and I wanted to make the record clear,
18 because you keep insisting you want to make the record
19 clear. I have one question for you and you have had a
20 distinguished career in intelligence, we need people like
21 you but sometimes the intelligence community is responsible
22 for the problems it might have because it fails to
23 communicate in the way it ought to on the Hill with
24 committees that are responsible for oversight. Let me point
25 to one instance where you and Elliott Abrams and Clair George

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1 appeared before the House Permanent Select Committee on
2 Intelligence back in October of '86 and this was reference
3 to the Hasenfus shootdown. I think at that time as I
4 recall and the record indicates, that Clair George's response
5 to a question with reference to the shootdown was that the
6 CIA was not connected in any way with the Hasenfus operation.
7 You knew, you knew at that time that the CIA was connected
8 with the Hasenfus operation and you also knew that [REDACTED]

9 [REDACTED] was up to his neck [REDACTED]
10 [REDACTED] in the operations of the Secord supply operation,
11 did you not?

12 [REDACTED] No, sir, that is incorrect. I knew that
13 [REDACTED] because the meeting in May '86, in [REDACTED]
14 had had some involvement. I thought we had cauterized that
15 involvement and it had been put to rest. At that time I
16 did not know the extent of [REDACTED] involvement. It came to
17 my attention I believe the 23rd of October, I brought it
18 to the attention of my superiors, after it was investigated
19 and our understanding was --

20 Mr. Boland. Let me interrupt you. You say it came to
21 your attention in October '86?

22 [REDACTED] October 23, 1986 is the date, when I went
23 to [REDACTED] with the interagency group and my discussions
24 were as I said in the lobby of the hotel we were staying
25 in, he told me about the telephone calls and I reported them

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229

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1 back. Prior to that time my understanding of his
2 involvement with the -- direct involvement with the private
3 benefactors was not well developed at all. As I testified
4 I knew of a little glimpse in May, I did not know he had a
5 KL-43 or that he was calling them on a regular and
6 continuing basis. That was one point in testimony that is
7 absolutely factual. That record was corrected in
8 December of '86 after the appropriate investigation was
9 conducted --

10 Mr. Boland. You are familiar with the fact, are you
11 not, that North has testified that you were familiar with
12 the details of this operation, it was a military operation.
13 I think you are also familiar with the fact that [REDACTED]
14 testified that you were aware of what he was doing and
15 of course, the Second operation could never have been
16 successful without the complete cooperation of [REDACTED]
17 on the ground communicating with the contras on communication
18 equipment that was supplied, the KL-43 by the CIA or by
19 Colonel North?

20 [REDACTED] I am familiar with the testimony. Colonel
21 North said in testimony, I am sure he must have known,
22 I think he knew, and he qualified it, he was wrong.

23 Mr. Boland. When you found out about the operation
24 did you inform any of your superiors in the CIA of your
25 knowledge of this matter?

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[REDACTED]

When I returned from [REDACTED] on the 23rd

or thereabouts of October, I reported what I had learned to [REDACTED] who reported it to Clair George. As I testified before that set in motion the wheels of investigation, the wheels of determining the facts. There is a memo in the record that lays those facts out dated 26 November, and so I did report them to my immediate supervisor, and he reported it to the supervisor above. It was reported to the Secretary of State that we may have a problem I think several days thereafter, and Elliott Abrams testified to that. I don't know whether Secretary Shultz did so the answer to your question is yes, I did.

Mr. Boland. The red light is flashing. You are saved by the red light and I by the bell on the floor.

Chairman Hamilton. Senator Cohen.

Mr. Cohen. At the conclusion of my questioning

[REDACTED]

~~had a conversation with me concerning my previous~~
question about the relationship between Director Casey and Colonel North, and he related an event that I think would be helpful to have on the record. If you would care to repeat it for the committee?

[REDACTED]

Yes. In late November I believe it was of '84, I received -- I don't recall the precise date -- I received a phone call at my home from Director Casey, very unusual for me at that point in time. I was eating

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1 dinner, he called up and said how are things going, I
2 said you really want to know, boss? They are going
3 terrible. We haven't got a policy, I don't know where we
4 are going and I can't run the operations. He said see
5 me in the morning.

6 I went up to see him and he said put down on paper
7 for me a policy where you think we ought to go. I will
8 get the policy, you run the operations. I can't remember
9 whether I told Ollie about that conversation or
10 whether Ollie told me about that conversation, but Ollie
11 knew about that conversation and Ollie said give me a copy
12 of the paper. I said Ollie, I can't do that. I've got to
13 put it through the system. It has to go to the Director
14 and Ollie said, I'll talk to the Director, and he talked
15 to him.
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#13 1 [REDACTED] The next day, or sometime afterwards, I
Detson 2 got a call from the Director, I remember that one fairly
CAS 3 clearly because it was at his EOB office. He said, give a
4:15 4 copy of the paper to Ollie.

5 And that let me know that Ollie had a fairly close,
6 direct relationship with the Director. I was a little bit
7 surprised.

8 I brought a copy down, gave it to Ollie. Subsequently
9 we put the paper through the system and it went up and I
10 believe if you saw it today it is in, with all due modesty,
11 it is about the policy we [REDACTED] And that gave me
12 some insights as I was developing, as I said, in December,
13 in October, November, and December kind of the frame work
14 of where I was, kind of how Ollie fit in and helped me
15 understand the dynamics I was living and working in.

16 Chairman Inouye. Senator Rudman.

17 Mr. Rudman. Thank you.

18 This morning or early this afternoon at the conclusion
19 of your testimony being questioned by Senator Cohen, I believe
20 you stated you would never dream of altering intelligence
21 because as an operations officer such an operation would
22 damage, destroy the mission you were trying to carry out. Is
23 that not correct?

24 [REDACTED] That is correct. Cooking intelligence. You
25 can't have intelligence on a false premise or you will have

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1 bad operations.

2 Mr. Rudman. I want to show you a memorandum of a
3 draft trip report summarizing Director Casey report in
4 1986. I believe you wrote that trip summary.

5 [REDACTED] Yes.

6 Mr. Rudman. The Director, I assume, would use that
7 report for preparing whatever he prepared for the President
8 or others who relied on him.

9 [REDACTED] Yes. He was going to use it as a talking
10 points paper for whomever he talked with. I don't think he
11 actually did, however.

12 Mr. Rudman. But that was the purpose?

13 [REDACTED] That was the purpose, yes.

14 Mr. Rudman. Of course, you are aware for the past
15 number of years, although some of the Central American
16 members have made statements to the contrary, we have all
17 been told privately by the Secretary of State, I remember

18 by Bill Casey and by others,

19 [REDACTED]
20 [REDACTED]
21 [REDACTED] That is accurate, you

22 are aware of that.

23 Mr. Rudman. That is accurate.
24 [REDACTED]

25 Mr. Rudman. Let me send you a cable that was sent to

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1 you on November 25, 1986, from [REDACTED]

11 Now, that did not find itself into your trip summary.

12 You were on the trip with the Director. This comes from [REDACTED]

13 [REDACTED] to you. It comes at a time
14 where I assume it is the basis for the preparation of your
15 intelligence report.

16 My question is very simple. Why is it that there is no

17 mention [REDACTED]

18 [REDACTED]
19 [REDACTED] that it seems to me should have been included if
20 whoever was going to get that briefing from the Director
21 was to get an accurate briefing and evaluate it for
22 however he wanted to evaluate it.

23 [REDACTED] I would have to go back and check my notes
24 and look at the context of that. I am, frankly, a little
25 bit stunned about [REDACTED]

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[REDACTED]

Mr. Rudman. I don't read it that way, [REDACTED]

[REDACTED] I know you don't, and I don't read it that.

Mr. Rudman. I don't read it for the very good reason --
we have been told a lot of --

[REDACTED] I don't read it that way either and I am a
little stunned by this.

Mr. Rudman. We have been told things, say one thing,
mean something else. I have to assume we have a pretty good
CIA, I always thought so.

[REDACTED] You are exactly right. I don't deny that
and that should have been put in that report. Why it is
not there, I don't know.

Mr. Rudman. Let me go on -- I think there is your
answer, you don't know and I'm sure don't know.

[REDACTED] What I have got to do is try to go back and
re-collect all the notes and figure out why I did that.

Mr. Rudman. I would like to have an answer for the
record on that.

[REDACTED] I will get you one.

Mr. Rudman. I would particularly like to know why the
memoranda prepared for the Director which was the basis for
one of the intelligence estimates he would have sent

1 probably to the President or someone at the National Security
2 Council level, that raw intelligence was not put in
3 there, it seems to me it ought to be there.

4 [REDACTED] You are absolutely right, it ought to be
5 there. That is not right.

6 Mr. Rudman. Let me go on to another related item. One
7 of the things that I am sure, with the extraordinary record
8 you have had in the agency it has to concern you as much
9 as it concerns other people, is the whole feeling as expressed
10 by the Secretary of State whenever you start mixing up the
11 people who are doing the intelligence estimates and policy
12 making you get into kind of shakey ground. There is a
13 handwritten note for a 9 January 1986 NSC briefing of
14 Mr. Casey which read, and you were at the meeting, "The DCI
15 wants to make the insurgency choice stark. Either we go all
16 out to support them or they will go down the drain. DCI
17 wants to add some detail on how we are going to strengthen
18 the FDN."

19 Now that, of course, was during a period the CIA had a
20 very limited law according to the law that was then in
21 effect. And I guess my question is: would you agree with
22 me that that note gives some credence to the fact that
23 maybe there was some cooking of intelligence going on on
24 which basis the President of the United States was making
25 some choices?

1 [REDACTED] Would you read it --

2 Ms. McGinn. Can we see a copy?

3 Mr. Rudman. I will send you mine.

4 Ms. McGinn. Thank you.

5 Mr. Rudman. If you look at all these documents we have,
6 and we have hundreds of thousands of them, there are some
7 very interesting documents. This committee is going to have
8 a tough choice in deciding how many to publish because there
9 are so many.

10 That is just one of a number I have had called to my
11 attention I find most interesting read in conjunction with
12 the previous documents I have shown you.

13 [REDACTED] I am still reeling from that one. I didn't
14 understand that one.

15 Mr. Rudman. Neither did I and I thought I would ask you
16 about it.

17 [REDACTED] I think that Director Casey, who is the
18 senior analyst, really believed that the choices were and are
19 stark. I believe that the body of intelligence there is to
20 support that, that particular statement, and it was the
21 assessment, that is the assessment that as intelligence
22 advisor to the President he wanted to make, he wanted to add
23 details about how we could strengthen the FDN. It is
24 important to know at that 9 January meeting there was a
25 key decision taking place.

1 That was the meeting, as I recall, where the decisions
2 were going to be made about how to go for the next aid package
3 That is the \$10 million decision. That means what are we
4 going to do with the \$100 million of tasking me or
5 somebody --

6 Mr. Rudman. The problem is there is a reference there
7 you make it so stark either they get it or go down the drain.
8 Maybe that is true, but the characterization, of course,
9 when you read it in conjunction with other things we have
10 heard makes one very nervous.

11 (Witness conferring with counsel)

12 [REDACTED] I don't know where these notes came from.
13 I recall getting ready for that meeting, and I believe --

14 Mr. Rudman. They came from the agency.

15 [REDACTED] I beg your pardon. I can see they did.
16 I really don't think from my direct knowledge the Director

17 cooked intelligence on Central America. I think he presented
18 it the way he saw it. He felt very strongly. I think the
19 body of intelligence is there in the main to support what he
20 had to say. I think the facts have spoken pretty well for
21 themselves.

22 I am one of the key operational analysts and I never
23 heard the Director say anything about Central America I was
24 personally uncomfortable with.

25 Mr. Rudman. Thank you, [REDACTED]

1 I asked those questions in relation to what they state on
2 their face, but beyond that I have a very uneasy feeling about
3 the character of the intelligence the President of the
4 United States is receiving on this entire matter. For
5 instance, we have very disturbing evidence, public evidence,
6 the President was told as part of the rationalization for
7 selling arms to Iran and approaching those moderates over
8 there that Iran was in imminent danger of losing the war
9 when that flew in the face of every CIA [REDACTED] and NSC ..
10 evaluation, and I just wonder if this wasn't more of it.
11 Mr. Chairman, we can go off the record, can't we, for 30
12 seconds?

13 Chairman Hamilton. Yes.

14 (Discussion off the record.)

15 Chairman Hamilton. The Chair recognizes Mr. McCollum
16 for ten minutes.

17 Mr. McCollum. We are about to wind down. I want to
18 clarify a couple other things, going through testimony all
19 day long and listening today. Exhibit 41, that is the
20 testimony that you gave regarding the courier coming down to
21 visit when you were with Mr. Casey in Central America just
22 before he gave his testimony, and you said there at one point
23 about the fact the courier mentioned there was a problem with
24 a diversion.

25 [REDACTED] I said there is a possibility of the money

1 amounts are different.

2 Mr. McCollum. That is what I wanted to clarify, is
3 that, was it [REDACTED] the courier?

4 [REDACTED] Yes, he was.

5 Mr. McCollum. It is my understanding it was based on
6 intelligence information that he had indicating that there
7 was a difficulty.

8 [REDACTED] He had heard something along the way, and
9 I am not clear on this, but he had heard something along the
10 way that caused him to be concerned about a discrepancy
11 and the amount of money going into one account and the
12 amount that was available or could be accounted for or had
13 been accounted for by the agency.

14 He made a passing comment to me as we went through
15 the -- at the airport.

16 Mr. McCollum. He didn't use the word "diversion"?

17 (Witness conferring with counsel.)

18 [REDACTED] No, he didn't use the word "conferring".

19 Mr. McCollum. It was a remark to you not to Mr. Casey.

20 [REDACTED] Yes, it was a private remark to me sort of
21 at the mouth of a [REDACTED] as it was starting up, right as Casey
22 was leaving the area.

23 Mr. McCollum. I also want to put it in context. This
24 is November of 1986, and it was in early October. We have
25 had testimony in this committee before Director Casey got

1 the call from Mr. Furmark. As I recall, the agency was
2 concerned at that point in time with looking into all what
3 Mr. Furmark may have said about the difference in the cost,
4 too.

5 So from my perspective, I don't know from your knowledge
6 you can concur, but from my perspective it could well be
7 this remark by [REDACTED] was a follow up on that
8 information, that trail, not anything new.

9 [REDACTED] It is possible. I don't know, I didn't
10 know the details and, as I said, if you only got a little
11 glimpse, something like that doesn't jump out at you right
12 away and it doesn't mean that much to you. That is the way
13 the world is, you have to have clues before you can see
14 something.

15 Mr. McCollum. Let me ask another area completely.

16 Drug trafficking questions you were asked by Senator

17 Heflin a minute ago about that. Is my understanding correct
18 the only indication of any drug relations with the contras or
19 with any of our personnel at all was the question of a couple
20 of people with Eden Pastora's group?

21 [REDACTED] With regard to the resistance forces; that
22 is correct. It is not a couple people. It is a lot of
23 people. And it is around Eden Pastora's group. I testified,
24 at our request we went down to the intelligence committees
25 and gave them a full briefing on that. We first reported

1 it in November of 1984 to Justice Department and subsequently
2 periodically thereafter and the body of intelligence is
3 fairly complete on it.

4 Mr. McCollum. That is a primary reason we served our
5 connection with Pastora or one of the factors?

6  One of about three or four.

7 Mr. McCollum. I want to make sure you would concur
8 with the findings of our investigation or on this particular
9 matter. In a memo to Chairman Hamilton dated July 23
10 of this year, Robert Birmingham said in his findings for us,
11 "our investigation has not developed any corroboration of
12 media-exploited allegations that U.S. Government condoned
13 drug trafficking by contra leaders or contra organizations
14 or that contra leaders or organizations did, in fact, take
15 part in such activity."

16 Now, there is a distinction, I suppose, between our
17 involvement and the involvement of contra leaders and the
18 involvement of contras. Now, is that statement that
19 Mr. Birmingham made to us, his findings, comply with yours?

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1 [REDACTED] No, it is not. Would you read the last
2 paragraph again?

3 Mr. McCollum. It says "Our investigation has not
4 developed any corroboration of media exploited allegations
5 that U.S. Government condoned drug trafficking by contra
6 leauers or contra organizations or that contra leaders or
7 organizations did in fact take part in such activity."

8 [REDACTED] That's accurate. CIA officers, U.S. Govern-
9 ment officials, to the best of my knowledge, which I think
10 is probably pretty complete, were at no time a party to,
11 directly or indirectly, knowingly narcotics activities;
12 Resistances forces with whom we are currently dealing are not
13 known in any way to have been involved with them. We
14 investigated those who were, one had to leave the movement.

15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 details because [REDACTED]
21 [REDACTED] but there was a lot of cocaine trafficking
22 around Eden Pastora.

23 Mr. McCollum. Not around the FDN?

24 [REDACTED] None around FDN, none around UNO, it was
25 all [REDACTED] based.

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1 Mr. McCollum. I would like, Mr. Chairman, for the record,
2 since I could only read a part of this, put this memorandum
3 by our investigator into the record.

4 Chairman Hamilton. Without objection, so ordered.

5 (The information follows:)

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1 Mr. McCollum. Also on the same general area, looking
2 into things that relate to the contras in somewhat less than
3 favorable ways, I would like to follow up on something that
4 Mr. Rodino asked you about. He briefly asked you your
5 knowledge of the Justice Department officials looking into a
6 matter in March of 1986 regarding perhaps the violation of
7 the Neutrality Act or arms shipments, or whatever, and you
8 indicated in your answers that you knew very little about it,
9 just maybe the fact they went down to Costa Rica to look
10 into it. Are you familiar with a man by the name of Jesus
11 Garcia and his allegations there were some arms that went down
12 to allegedly try to work an assassination of Ambassador
13 Tambs?

14 [REDACTED] I am aware of that. At one time, I was
15 very aware of the details of it. Those details have faded,
16 but, yes, I am aware of it and was very aware at one point
17 in time.

18 Mr. McCollum. Has there been, from your knowledge and
19 involvement, any corroboration of this, or is this just an
20 allegation that stands out?

21 [REDACTED] That's just made out of absolute whole
22 cloth. I don't know why Jesus Garcia was getting informa-
23 tion, particularly as he said CIA was behind it. That is
24 the old theory, you do something and make someone respond to
25 it. We didn't put much stock in that, and I still don't.

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1 Mr. McCollum. Thank you very much on that point. I
2 have one other thing that troubles me I want to raise with
3 you.

4 You testified this morning that you were concerned very
5 much at the time that we had the incident that five lower-
6 level employees of the CIA were tagged with the blame. You
7 said you believed, I think I am correct, you made a special
8 effort to set up steps so if something happened with
9 subordinates under your watch, under you, you and not your
10 subordinates would take the responsibility, the beating from
11 Congress, the heat, or whatever. I believe you said words
12 to that effect this morning, am I correct?

13 [REDACTED] Those were my words, and I would like to
14 repeat them. I, working with Claire George, purposely
15 structured the situation so the responsibility and liability
16 accrued to me for whatever happened.

17 Mr. McCollum. I am concerned, in light of that, in terms
18 of the testimony we had from [REDACTED] and I want to give
19 you an opportunity to respond to an impression that I don't
20 think I am the only one to have got during his testimony
21 before us several weeks ago now.

22 I got the feeling that you and his other superiors
23 didn't take any of the blame for what he did. I got the
24 feeling that he was kind of left to hang out to dry, at least
25 that is the impression that came across listening to his
testimony at the [REDACTED] the pieces together

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1 we had then with regard to his involvement. I don't think
2 you have really clarified that too much for us today.

3 We have gone all around the circle on that. [REDACTED]
4 came along the line. We heard what he said. I think he is
5 a very patriotic kind of guy, I personally liked him. But
6 the idea he was out there alone is still an idea that is in
7 my mind, and I would like to have your thoughts on that.

8 [REDACTED] was in the most difficult
9 position than any of us, he was in the nut cracker as well
10 as me, as well as others. My position was difficult, but
11 not as difficult as his. He was in the squeeze dealing with
12 people and operations on the ground.

13 His perception of where he was, his authority, is
14 different from mine. As I said before, I am not going to
15 criticize [REDACTED]. I am not going to try to impeach
16 what it is he had to say. I can tell you the facts. He

17 was under instructions, if you will, from me, from CIA, to
18 put order in the political structure in the South, and then
19 as the laws changed, and you can see us kind of leaning into
20 it in the traffic in the fall of '85, and really getting into
21 it after the law changed in December, December and January of
22 '86, [REDACTED]
23 [REDACTED]
24 [REDACTED]
25

He was also to do what he could within the context of

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lrg-6

1 the law to facilitate the operations of the Southern Front.
2 He had the same guidance, the same framework as my [REDACTED]
3 [REDACTED] who had a better structure to deal with.
4 made some decisions there on his own. Take the KL-43,
5 that was his decision. The involvement in the airfield,
6 that was his decision. I didn't know he was involved in that
7 airfield until I read some of Oliver North's notes, I didn't
8 know that much about it.

9 The direct contact with the private benefactors [REDACTED]
10 did under his own volition, and finally I think, as I read
11 into the record very clearly, after it was I think pretty
12 clear to [REDACTED] after the May meetings he ought to get away
13 from this thing, for some reason he came back into it in
14 June of 1986, and he made those decisions himself based on
15 the realities as he saw them at the time.

16 What mental processes he went through to think I knew
17 everything about them, had approved them and given him the
18 famous wink or nod, I don't really know.

19 Mr. McCollum. I don't have them in front of me to
20 point out, but I remember distinctly, because I had the
21 lead on our side on the Minority part of the examination of
22 [REDACTED] there were a series of cables, messages, that
23 went back that got no response, as I recall, he relied on
24 the fact nobody, you or anyone else, said "Don't do this."
25 He put them in there. It looks to me like he did. What

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1 do you have to say on that?

2 [REDACTED] I read into the record this morning some
3 exchanges that we sent out and a KL-43 message between I
4 think Colonel Dutton and General Secord which made it pretty
5 clear [REDACTED] understood he had to get away from that and that ;
6 he got back involved with it. And I don't want to impeach

7 [REDACTED] I don't want to say sort of that it is all his fault.
8 He was in a difficult situation. I think that he is going
9 through a little rationalization along the way and is
10 seeing things through his glasses. I think if there is a
11 difficulty organizationally with [REDACTED] it's not so much what
12 he did, it's that when confronted with multiple chances to
13 tell his story, he didn't tell it along the way quite
14 completely.

15 I still am not at all sure, I think the organization
16 has been -- it's been very hard on [REDACTED] but I think it's
17 also been pretty fair with him in terms that he is still
18 there, and I think Judge Webster has been quite fair in
19 his treatment of him, and I have a lot of compassion for him.

20 Mr. McCollum. I am not going to beat a dead horse
21 with it, but I want to point out he did send some cable
22 traffic back after the fact when he had stopped the first
23 time using this, and he used it for some drops and got no
24 response back.

25 At any rate, we will leave it at that, but it seems to

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lrg-8

1 me and still does, despite his hope he be there, he was left
2 there to hang out.

3 Chairman Hamilton. The chair would note for the
4 record Mr. Stokes has to be on the Floor with relation to
5 a HHS appropriations bill, so he is not able to follow up
6 as he had hoped. It may be [REDACTED] he will submit some
7 questions to you in writing, if that is all right, and the
8 chair yields time to Senator Cohen.

9 Ms. McGinn. Mr. Chairman, if I may, with respect to
10 the questions that have been asked this afternoon about the
11 courier or individual that came down from CIA Headquarters
12 to Central America and had a discussion with [REDACTED] in
13 November of '86, I am not trying to add witnesses to the
14 list here this afternoon, but I did want to inform you all
15 that that person is [REDACTED] and he is accompanying
16 Mr. George this afternoon or tomorrow for his testimony

17 should you care to discuss directly with him that conversa-
18 tion.

19 Chairman Hamilton. Thank you very much, Counsel.

20 Senator Cohen is recognized.

21 Mr. Cohen. Just for one minute to follow up on what
22 Congressman McCollum was pursuing, it is something that has
23 been troubling me a bit, because you indicated [REDACTED]
24 went over the edge, you indicated he was caught in the nut
25 cracker, as was you. I want to refer back to his

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1 deposition. [REDACTED] has testified that he raised the
2 legality of the direct passage of information to private
3 benefactors, that an alternative plan was discussed at [REDACTED]
4 [REDACTED] in May of 1986 with you and [REDACTED]. The idea
5 to train a UNO communicator was scrapped on orders from you
6 because of a fear it might get into the papers and that he
7 then continued to pass the information directly.

8 Now, I raise that -- and that is his deposition, pages
9 72 to 76 -- I raise that in connection with the statement
10 that you made today concerning the so-called CYA memo, as
11 I believe Senator Nunn characterized it during the open
12 sessions, and that is dated July 12, 1986. I am just going
13 to read it quickly for the record, that portion.

14 It says: "With the House passage of appropriated
15 assistance to the Nicaraguan Resistance, we have taken a
16 second look at the common link. To date we have maintained our
17 distance as to private benefactors providing assistance to
18 the Resistance and have briefed Congress we do not have any
19 relationship with the PBs."

20 You go on to say, "We don't want to get involved with
21 them because it might be misconstrued." It was following
22 that apparently that [REDACTED] went out and continued
23 the operation which he said, "I've got a problem, I am
24 caught in a nut cracker", to use your phrase, "I am over the
25 edge, I want to get back, here is a proposal", he sends

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252

lrg-10

1 memos and cables and gets back one saying, "I am sorry, we
2 maintained our distance, and let's keep operating as we have
3 been operating."

4 I think that is the context in which Senator Nunn says,
5 "It looks to me like this is a CYA cable saying, [REDACTED] don't
6 do it differently, continue doing what you are doing.'"
7 I wonder if you would clarify that.

8 [REDACTED] I don't think that is at all what was meant.
9 I think I read into the record this morning the KL-43 message
10 as I said, where [REDACTED] was not going to be able to do this any
11 more. It was our intention, as I said, my compliance officer
12 came to me and said, "If you do that, you're over the line,
13 you can't do it." It was intended by me, once again, to
14 either stop or to get that buffer in between you so that you
15 are not right in the middle of it. And that was the purpose
16 for that cable. That is what it is meant to have said.

17 If there is ambiguity in it --

18 Mr. Cohen. He came up with a buffer.

19 [REDACTED] No, the buffer, as I said before, was to
20 put the Resistance leadership in the middle. He didn't
21 need to talk to them, he could have passed anything he needed
22 to pass through Resistance Leadership, and they could have
23 passed it just as was done in the FDN.

24 For some reason, he didn't do it that way, maybe he
25 didn't have trust and confidence in the structure. He made

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1 that decision, and that's the way he did it. I really was
2 not aware he was doing that.

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1 Mr. Cohen. Thank you.

2 Mr. Sarbanes. Mr. Chairman.

3 Chairman Hamilton. Senator Sarbanes.

4 Mr. Sarbanes. Could we identify for the record the
5 people with the Agency who are here with [REDACTED] that have
6 been on occasion counseling him.

7 [REDACTED] I'm the attorney that has been in the
8 Central American Task Force providing legal guidance to
9 [REDACTED] since June, 1985. Before that time, there was
10 another attorney.

11 Mr. Rizzo. I'm John Rizzo, Deputy Director of Congres-
12 sional Affairs. I have been trying to coordinate these ..
13 matters with the committee.

14 Chairman Hamilton. Without objection, we will put
15 into the record Exhibits [REDACTED]-1 through -47.

16 The Chair requests permission to release [REDACTED]
17 testimony after it has been declassified. Is there objection?
18 If not, it is so ordered.

19 Senator Inouye.

20 [REDACTED] I have two statements I would like to make.

21 Chairman Hamilton. We will come to you in just a
22 moment.

23 All right, [REDACTED]

24 [REDACTED] I go back to a question that Senator Cohen
25 asked me this morning, and I have run it through my head a

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1 couple of times during the luncheon break, and I want to put
2 a couple of things on the record that came to my mind,
3 because I want to leave here feeling as good as I can feel
4 about this testimony. I have to collect my thoughts here
5 because the thoughts have gone out of my head right now.
6 These things flash into my mind and they flash out of my
7 mind.

8 You asked me



14 Mr. Cohen. I think it was Congressman Stokes who asked
15 you that question.

16 I didn't know who asked him -- I've been
17 trying to figure these things out and I don't want someone
18 to say "aha" later on.



25 And I said I don't want to get involved in those things,

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256

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1 and I just stiffed him. And stiffed him hard, because that
2 was not the kind of thing -- it just smacked of [REDACTED]
3 and everything that would bust congressional consensus that
4 we had set up, and I stopped it and didn't pursue it at all.
5 That popped into my mind after that question was asked, and
6 I was racking my brain going through this catharsis to get
7 it all out.

8 Chairman Hamilton. Mr. Rodino.

9 Mr. Rodino. Thank you, Mr. Chairman.

10 For clarification, [REDACTED] a while ago when I
11 addressed a question to you concerning what was supposed to
12 have been a conversation between Mr. Casey and the courier
13 November 19th, I think we identified the date, and you
14 stated in answer to my question that you didn't believe that
15 it was Director Casey whom the courier addressed when he
16 said there may be a problem on diversion, and as a matter

17 of fact, my recollection is, and this was only a little bit
18 ago, that you said that Director Casey was on the airplane
19 and so the conversation was with you rather than Mr. Casey.

20 Well, I'm going to refer you, [REDACTED] to your
21 interview before the Tower Board, and that interview, in
22 answer to a question from Senator Muskie, he says, "I take it
23 from your opening statement that you had no knowledge at all
24 of any diversion of funds from the Iran operation." And

25 [REDACTED] "No, I didn't know that even arms were being

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258

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1 way it happened.

2 I have tried very hard to tell everything the way it
3 happened. That is not the way it happened. It was a private
4 conversation out on the side of the tarmac and it was not
5 to the Director, and that is not correct.

6 If I said that, I misspoke myself, because what I have
7 said today is the way I recall it happened, and I'm not
8 covering up for the Director.

9 Mr. Rodino. Thank you very much.

10 Chairman Hamilton. Senator Inouye.

11 Chairman Inouye. Mr. Chairman, I wish to advise the
12 panel that yesterday I received a letter from Mr. Ghorbanifar,
13 an 11-page letter, dated July 31, 1987, in which he responded
14 to statements made by other witnesses. I wish to make this
15 part of the record under the following conditions, that it
16 not be released to the public unless and until Mr. Ghorbanifar

17 is willing to respond to questions under oath or to submit
18 this letter in affidavit form. I make that request.

19 Chairman Hamilton. Without objection, so ordered.

20 [REDACTED] I think we have now come to the end of your
21 testimony. We appreciate very, very much your testimony.
22 It has been most useful to the members of the committee,
23 and you are excuse, sir.

24 [REDACTED] Thank you very much.

25 Chairman Hamilton. We will have a 10-minute recess

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1 while the books are prepared and the next witness is brought
2 in.

3 (Recess.)
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260

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1 Chairman Hamilton. The select committees will come to
2 order, and the witness now is Mr. Clair George.

3 Mr. George, would you stand, please, and raise your
4 hand?

5 (Witness sworn.)

6 Chairman Hamilton. I am advised that the House is
7 voting so House Members will be absent for just a few minutes,
8 and the Chair recognizes Mr. Kerr to begin questions.

9 Mr. Kerr. Thank you, Mr. Chairman.

10 TESTIMONY OF CLAIR GEORGE

11 Mr. Kerr. Good afternoon, Mr. George.

12 Mr. George. Good afternoon.

13 Mr. Kerr. Let's start with a brief biographical
14 sketch. You are Deputy Director for Operations of the
15 CIA at the present time?

16 Mr. George. That is correct.

17 Mr. Kerr. You have held that position since July of
18 1984?

19 Mr. George. One July '84.

20 Mr. Kerr. Your responsibilities with the CIA began
21 in the mid '50s, is that correct?

22 Mr. George. I joined CIA in October, '55.

23 Mr. Kerr. During the course of your tenure with the
24 Agency, you have served primarily in the operations
25 directorate?

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1 Mr. George. I have served exclusively in the operations
2 directorate. Of my 32 years, approximately 20 have been
3 abroad.

4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 Mr. Kerr. And then you served as ADDO under Max
16 Hugel, is that correct?

17 Mr. George. Yes. I was one of two ADDOs under Max
18 Hugel, and when Mr. Hugel left, I was the one ADDO who was
19 left.

20 Mr. Kerr. Then in '83 you took on your responsibilities
21 as Director of the Office of Legislative Liaison?

22 Mr. George. I served as Director of the Legislative
23 Liaison, Congressional Affairs, from the spring of '83
24 through the summer of '84.

25 Mr. Kerr. And then in '84 you took on your duties as

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1 DDO?

2 Mr. George. That is correct.

3 Mr. Kerr. With regard to the responsibilities of the
4 DDO, can you give us a description of what that job entails?

5 Mr. George. I'm Director of Overseas Clandestine
6 Operations for the United States Government for the Central
7 Intelligence Agency reporting directly to the Deputy Director
8 and to the Director of CIA.

9 Mr. Kerr. Mr. George, there are several areas I want
10 to go into with you. The first area I would like to touch
11 on is an area relating to the operations directorate's
12 contact with and knowledge of the activities of Mr.
13 Ghorbanifar in the period '85 until January of 1986 when
14 the finding came down and you all received a formal assign-
15 ment to support the NSC.

16 Let me start with the knowledge the directorate had.
17 The directorate, prior to '85, had had dealings with Mr.
18 Ghorbanifar; is that correct?

19 Mr. George. If I recall from recent study on this,
20 Counsel, we had our first contacts with Mr. Ghorbanifar in
21 the year 1979, after he came out of Iran at the time the
22 Shah fell.

23 Mr. Kerr. And those contacts had resulted in what is
24 called a burn notice that went out in July of '84?

25 Mr. George. It was a long, complicated relationship.

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[REDACTED]

We found him basically, to put it as simply as I can, uncontrolled. His information was unverifiable. In many cases we could prove it was not true and we put out, using our jargon correctly, and I'm sorry -- '83, a burn notice, meaning, in our language, we send a notice around the world that the individual that we are speaking about should not be dealt with because he's dishonest and untruthful.

Mr. Kerr. I believe the date of that first notice was approximately July 25, 1984. That kind of a notice is not an everyday occurrence, I take it?

Mr. George. It is a very rare occurrence. Our business is to deal with a very strange variety of people. If we only served and dealt with the honest and fair, we would be out of business fairly fast. You have to work at it pretty hard, Counsel, to get a burn notice out of the operations directorate at the CIA.

Mr. Kerr. And one of the purposes of a burn notice is essentially to warn off others that the person that is the subject of the burn notice can cause them difficulty?

Mr. George. Yes,

[REDACTED] I don't know, I'm sure the record will show whether we told others, but what we do is

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264

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1 we send a telegram, cables [REDACTED] abroad, and we
2 say if a man named Ghorbanifar strolls in, here is his size,
3 weight, coloring and so on, and he's a liar.

4 Mr. Kerr. That also gets circulated through the U.S.
5 Government?

6 Mr. George. I can't answer that. I assume we would
7 certainly share it with our friends in the State Department
8 and others in the foreign affairs world.

9 Mr. Kerr. There is a reference in the Agency [REDACTED] File
10 to a repeat of the burn notice that occurred in March, '85.
11 Are you familiar with that event?

12 Mr. George. A second burn notice?

13 Mr. Kerr. Yes.

14 Mr. George. I'm not, Counsel.

15 Mr. Kerr. Let me take you to the summer of '85 and
16 essentially I'm going to be looking at documents in this
17 area that are found at Exhibits 22 through 58, and there's
18 another exhibit in '76 touching on some of these matters.

19 Let me take you to the summer of '85 and set the stage.
20 We have as Exhibit 22 an Agency document that reflects a
21 contact of Director Casey by John Shaheen, who is a former
22 client of Director Casey's and friend and business associate,
23 and Mr. Shaheen in that memorandum relates a contact he
24 had from Cyrus Hashemi, an Iranian expatriate who was at
25 that time a fugitive from U.S. indictment. Shaheen relates

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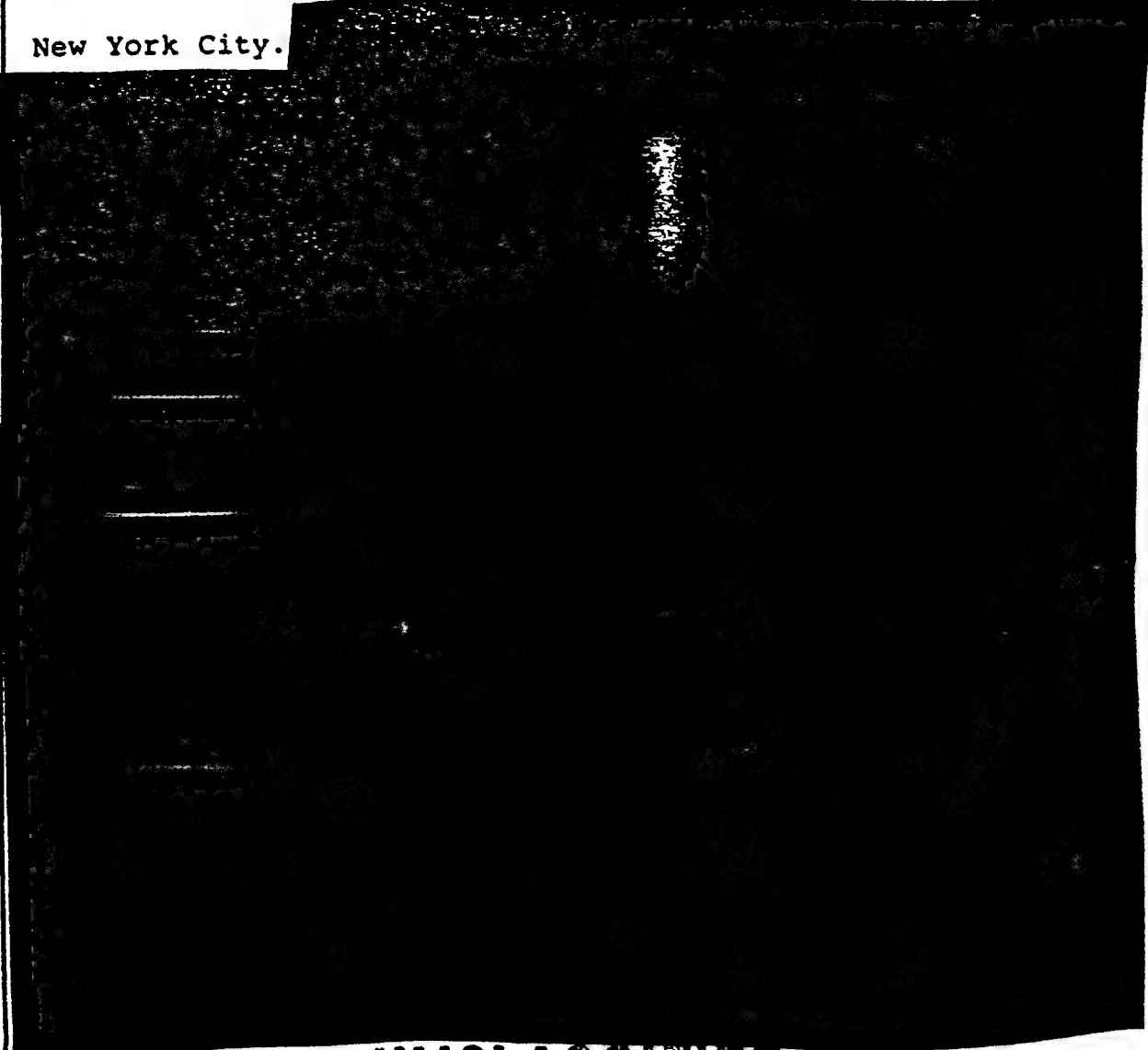
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1 that the Iranians may be prepared to arrange for the release
2 of hostages and Mr. Hashemi is prepared to intervene in
3 those matters if he gets a nol prosse from his pending
4 prosecution.

5 Can you tell me, using that as a starting point, what
6 the operation's directorate was doing in the June, July,
7 August, '85, period with regard to this Shaheen contact and
8 the Hashemi connection as it related back to Ghorbanifar?

9 Mr. George. Yes. John Shaheen was described to me
10 as a personal business acquaintance of Director Casey from
11 New York City.



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1 Now, to this issue, Shaheen, if I understand it and I've
2 reviewed it, told Bill Casey that his friend or acquaintance,
3 Mr. Cyrus Hashemi, whom I don't know of, had fled the country
4 after an indictment for, if I understand, arms sales --
5 correct me if I'm wrong on that. Mr. Hashemi had a record
6 of being on the edge of the law, the international arms
7 market.

8 All that aside, Mr. Hashemi said that he could produce
9 [REDACTED] and please correct me if I'm wrong, two very
10 significant Iranian officials who could help release the
11 hostages. This is at a moment, and I'm sure we will get
12 into this as time goes by, and I think all of you heard me
13 say and other of my colleagues, that within the limits of
14 the law, I try not to leave any stone unturned to look for
15 any hostage.

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267

1 Mr. George. In a nutshell, Mr. Hashemi said if he
2 could produce some Iranians who could in turn release the
3 hostages would the United States of America give him
4 a nolle prosequi.

5 We went to the State Department and we went to the
6 Department of Justice and we asked both of those agencies
7 what they might know about Mr. Hashemi, what was the charge,
8 what was the indictment, and felt them out on what their
9 feeling would be if there were to be an individual under
10 indictment for illegal arms activity who could actually
11 get the American hostages out of Beirut. There is a
12 series of papers on our discussions with these people,
13 and there was an agreement informally, if Mr. Hashemi did
14 bring [REDACTED] I guess senior Iranian officials who
15 in turn would be able to help us release the hostages,
16 the Department of Justice, the Department of State would
17 consider such a possibility.

18 Three things happened. The first thing happened,
19 which happens in our business so often, is that he did not
20 produce the Iranians, they never showed up, so it was never
21 a question of what can we do about them.

22 Secondly, we found out at some point, counsel, and
23 I don't know when, and I couldn't find, I was told this
24 earlier and I couldn't find the paper and maybe you have
25 it here, that the famous Iranians, he was to bring to

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268

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1 [REDACTED] who were to release the hostages were nonetheless
2 than Mr. Ghorbanifar and [REDACTED] who become only too
3 famous in the fall. The entire affair drifted off, and if
4 I recall correctly, there was some contact with Mr. Hashemi's
5 American lawyer, Mr. Elliott Richardson, who had made
6 several contacts with the CIA. We told him to get in touch
7 with the Department of Justice and I believe that sometime
8 in 1986 this affair, having died out, Mr. Hashemi died.

9 Mr. Kerr. Let me just follow up a couple things
10 with you. The assignment of following up was given at the
11 outset to [REDACTED] is that correct?

12 Mr. George. That's correct. ..

13 Mr. Kerr. [REDACTED] role at that time was what?

14 Mr. George. In early, I don't have the dates correct
15 and exact, but in early 1985, yes, all through 1985,

16 [REDACTED] was the Deputy Director of my Near East Division
17 which is the geographic operating division that handles the
18 Near East area and was as such the immediate senior supervisor
19 of the hostage problem.

20 Mr. Kerr. With regard to who gave [REDACTED] his
21 assignment, would that have come by the way of [REDACTED]
22 the Director --

23 Mr. George. Well, this was one of these affairs,
24 which is not unusual in our agency and has gone back to
25 when I joined under Andrew Dulles, a variety of supervisors

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269

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1 are in touch with a variety of men down the ladder, we are
2 as you all know a rather busy organization and there is not
3 a sort of bureaucratic chain of events. This was a
4 Bill Casey contact. Whether he called [REDACTED] or he
5 called me I cannot remember, but I'm sure at some point we
6 probably put Casey in touch with [REDACTED] and so all of
7 us would have been involved in it.

8 Mr. Kerr. There are a series of memoranda that we have
9 as the exhibit here from [REDACTED] Would you have been
10 curious reviewing those memoranda?

11 Mr. George. Those memoranda if they are prepared by
12 [REDACTED] and are routed, we mean sent through the
13 bureaucratic mechanism to the Director of Central
14 Intelligence, would normally go through me.

15 Mr. Kerr. So you would have been in all likelihood
16 conversant with this matter as it was going on, is that
17 correct?

18 Mr. George. Yes.

19 To add a point here, and I found this on several of my
20 depositions with others and with you, just because a
21 paper went through my office which hundreds do a day, I
22 may not know as much about it as I should. I'm not
23 apologizing. It's just the problems of paperwork.

24 Mr. Kerr. With regard to Director Casey and what
25 Director Casey was told, to your knowledge was Director

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1 Casey advised of the Agency's past history of
2 Mr. Ghorbanifar?

3 Mr. George. Ghorbanifar really wasn't the issue. The
4 issue was Hashemi. If Hashemi would have produced
5 Ghorbanifar and Ghorbanifar would have produced all of the
6 hostages, it probably would have been one of the snappiest
7 little operations we ever ran. The truth is he never
8 produced Mr. Ghorbanifar so the issue of us judging
9 Ghorbanifar, counsel, was certainly, never brought up.

10 The first thing was Hashemi produced some, excuse me,
11 produced some Iranian bodies. Let's see what you have got.
12 If he had shown up with Ghorbanifar I think probably we
13 would have said -- we have moved, see, we have moved this
14 thing, even with the burn notice, we might say we don't
15 believe a word you say but please release the hostages.
16 But I'm guessing now.

17 Mr. Kerr. Let me try to focus your recollection.
18 The documents indicate that Hashemi was given the word
19 while [REDACTED] would meet with the Iranians they didn't
20 want to meet only with Ghorbanifar, they wanted to have
21 [REDACTED] present as well. That suggests --

22 Mr. George. That would suggest -- if Ghorbanifar
23 would have come alone someone would have said hey fellow,
24 come on, let's produce some real people.

25 Mr. Kerr. What I'm driving at, I'm trying to get a

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1 sense of what his subordinates would have told Director
2 Casey. Would they have advised Director Casey --

3 Mr. George. In the summer of 1985, if we would have
4 the paper that said Manucher Ghorbanifar was involved in
5 anything, and it was of such interest that the Director of
6 Central Intelligence was involved in it, I would have
7 assured him of the knowledge that he was dealing with a
8 person with whom we had a burn notice. That is a critical
9 decision for us in dealing with foreigners.

10 Mr. Kerr. If you want to follow the instruction on
11 what was to be done with Ghorbanifar as opposed to
12 [REDACTED] is alluded to in Exhibit 26. In terms of
13 pursuing the chronology a bit further, apparently there are
14 additional contacts with Mr. Richardson in mid-October --
15 excuse me, mid-August, August 16, 1985, suggesting that the
16 matter was continuing into the early fall. Do you have a
17 recollection based on your review of this matter on when
18 you all gave up so to speak on the Hashemi initiative?

19 Mr. George. I reviewed these very briefly. It was
20 my belief that Mr. Richardson had obtained [REDACTED]
21 name, which was a mistake, but such things happen, Mr.
22 Richardson was calling [REDACTED] on behalf of Hashemi
23 and we decided Hashemi had nothing to sell. It is merely
24 Mr. Richardson is a prominent American, we are not going
25 to hang up in his ear. It was more the ball is in your

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272

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1 client's court is something I believe I read.

2 Mr. Kerr. Do you have any knowledge today of the
3 extent to which Director Casey took information about this
4 approach to the National Security Adviser?

5 Mr. George. I do not.

6 Mr. Kerr. So you do not know for example if Mr.
7 McFarlane even knew these discussions were going on in
8 June, July, August 1985?

9 Mr. George. Knowing -- I don't, but knowing Bill
10 Casey, I would think he might have.

11 Mr. Kerr. Taking that a step further, given your
12 familiarity with Director Casey's approach, is it likely
13 that Casey would have advised McFarlane of the concerns
14 that the Agency had for Mr. Manucher Ghorbanifar?

15 Mr. George. Yes.

16 Mr. Kerr. We have --

17 Mr. George. If all those things had happened.

18 Mr. Kerr. Yes, sir, I understand.

19 One point of interest is Secretary Shultz' recollection,
20 as he has previously testified to, that he knew about
21 Manucher Ghorbanifar and the Agency's concerns about
22 Ghorbanifar in July of 1985. So that was something that
23 would have been shared by CIA with State at the time?

24 Mr. George. I know we shared it with State because
25 Secretary Armacost with whom I do a great deal of business

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273

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1 is sort of my normal contact at State Department at some
2 point last fall, in November of '86, as this thing unwound,
3 Mike said, hey, give me a copy of that burn notice I know
4 is out on Ghorbanifar. When Mike first learned that I
5 don't know but yes, I would think if there was an operation
6 that involved Manucher Ghorbanifar and dealt with the
7 hostages, we would have told Casey and Casey if he were to
8 urge higher ups than he or his equals would have told
9 them.

10 Mr. Kerr. Let me pursue the thought a bit further.
11 Do you have any recall or knowledge from another source
12 that the Agency was made privy to the conversations
13 Mr. Ledeen was having in the period of July, August, 1985
14 with Manucher Ghorbanifar?

15 Mr. George. I cannot speak for Mr. Casey and I cannot
16 speak for the Deputy Director, Mr. McMahon. But in my
17 directorate there was no one I knew who knew anything about
18 that.

19 Mr. Kerr. So in terms of your understanding of what
20 was going on in your directorate, [REDACTED] was not
21 apprised there were discussions going on by other American
22 officials with Manucher Ghorbanifar during the same
23 period of time?

24 Mr. George. Well, you will take me there, but let me
25 put it, frame it as I see it. Ghorbanifar was the agent

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274

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1 of Israel. It was the Government of Israel that said, we
2 have got one hot cookie here that can help us make
3 contacts with Iran, release the hostages. Michael Ledeen,
4 and I think as we walk through Ghorbanifar, seems to be
5 playing a variety of roles in this. But back to your
6 question, and I'm sure we'll get through all of this,
7 in the summer of 1985 when Cyrus Hashemi had his scheme
8 which we know involved Ghorbanifar, I cannot believe anyone
9 in my directorate, knew about the Ledeen-Israel-Ghorbanifar
10 connection.

11 Mr. Kerr. With regard to what you did know during
12 that period of time, it appears from the documents that
13 we have that there was an effort to try to identify
14 [REDACTED] and to track his travel going through
15 September of 1985 from the documents that we have.

16 Mr. George. There was a document that I have seen
17 somewhere in which we have asked [REDACTED]
18 [REDACTED]
19 [REDACTED] to track [REDACTED] travels. I do not
20 know why.

21 Mr. Kerr. I think you are referring to Exhibit 33,
22 which is a cable to [REDACTED]

23 Mr. George. I have asked and I will -- because there
24 is a reference there as you see [REDACTED] why did
25 we ask that, and I would like that checked out, please.

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1 I've already asked.

2 Mr. Kerr. But in terms of what the Agency was doing,
3 this document certainly indicates that in this period of
4 time the Operations Directorate was A, keeping an eye on
5 Hashemi and Ghorbanifar by virtue of the conversations
6 in August and now by virtue of this cable keeping track of
7 the travel of [REDACTED] during this period.

8 Mr. George. For some reason which we certainly will
9 be able to trace down when we trace back the reference
10 on these cables.

11 Mr. Kerr. Now, we know from other testimony and
12 documents that have been put before the committee that
13 the Israeli shipment of TOW missiles, the first shipment of
14 TOW missiles occurred the last of August, the first of
15 September and that there was then a subsequent shipment of
16 408 TOW missiles in mid-September of 1985.

17 Do you recall --

18 Mr. George. Excuse me. Two Israeli shipments in
19 September?

20 Mr. Kerr. One begins on August 30, but, yes --

21 Mr. George. Two different loads? I should know that
22 but I don't.

23 Mr. Kerr. In terms of what you all know we have
24 received information from [REDACTED] there was following
25 of cable traffic that allowed you to at least have a

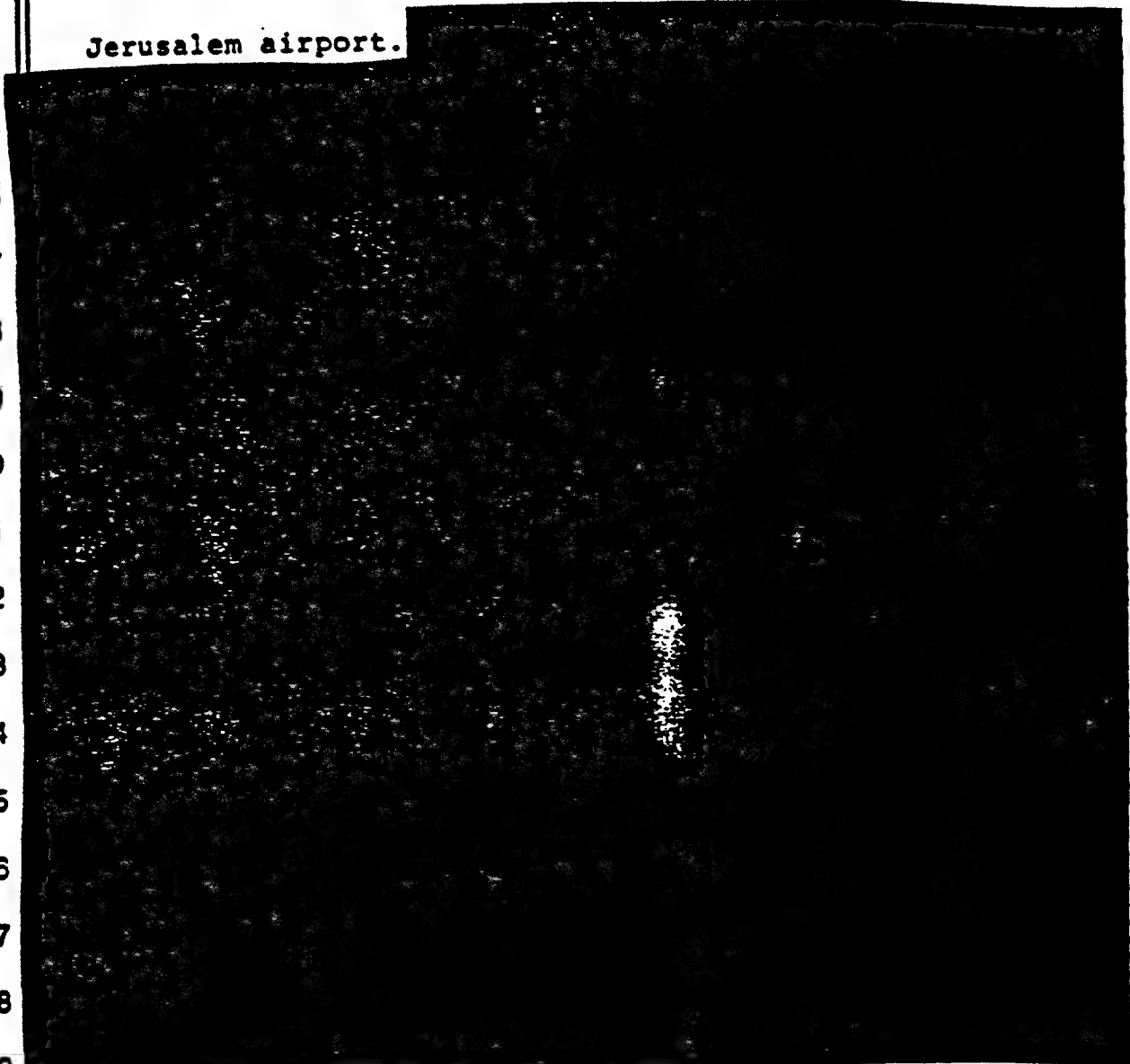
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1 suspicion.

2 Mr. George. There were newspaper reports in the
3 Israeli press. A plane had crash landed at the
4 Jerusalem airport.



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20 There were signs, glips in the air in the fall of '85
21 something was going on between Israel and Iran.

22 Mr. Kerr. If I understand your testimony, in terms of
23 knowing of a relationship between Manucher Ghorbanifar,
24  and that knowledge you did not have that?

Mr. George. No, nor do I believe anyone in my

TOP SECRET

277

m11 1 directorate would have had that.

2 Mr. Kerr.. Focusing on the September period, you are
3 familiar with Mr. Allen's testimony he received an
4 assignment he places about September 9, another document
5 places it September 12, to begin [REDACTED]

6 [REDACTED] for Colonel North?

7 Mr. George. Yes.

8 Mr. Kerr. He also indicated that you would have a
9 recipient of that material. Do you recall when you
10 received it?

11 Mr. George. I disagree with Mr. Allen. I'm sure
12 he may believe that he sent it to me. I think throughout
13 this entire affair Mr. Allen, who was National Intelligence
14 Officer for Counterterrorism, who was not under my
15 direction, forgive me for saying it again, the
16 intelligence officer on counterterrorism reports directly,
17 in theory, to the Director. In fact, I'm told
18 Mr. Allen was told by Colonel North at the time this took
19 place he was not to share this material with members of the
20 Operations Directorate.

21 Mr. Kerr. And in terms of having a recollection,
22 you yourself having seen [REDACTED] in this period?

23 Mr. George. I could have. My [REDACTED] problem is
24 that I get it confused with a great series of [REDACTED]

after the finding when we were just finding

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278

m12

1 with the endless [REDACTED] Ghorbanifar [REDACTED]. I have
2 a belief, counsel, that in the fall of 1985 I saw some
3 type [REDACTED]. What I don't know.

4 Mr. Kerr. Would you place that later than September
5 of '85?

6 Mr. George. I cannot, sir.

7 Mr. Kerr. Do you have any recollection of [REDACTED]
8 material in the fall of '85 being shared with the Near
9 East Division, [REDACTED] and [REDACTED]?

10 Mr. George. No. I have again confidence they would
11 have told me.

12 Mr. Kerr. With regard to what it was that you knew
13 at that time and the role Mr. Allen played, let me focus
14 on that for just a moment. With regard to collecting
15 [REDACTED] in the Operations Directorate, that
16 is not something I would assume is customarily done by an
17 NIO?

18 Mr. George. [REDACTED] in its generic sense
19 is handled by Directorate of Intelligence. [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

It would not be totally

m13 1 out of the ordinary for a national intelligence officer to
2 be charged to liaise [REDACTED]

3 Mr. Kerr. Let me pursue the through a bit further.
4 Can you give me an understanding, if you have one, of why
5 it was that Colonel North in September of 1985 looked to
6 NIO Allen for this type of assistance as opposed to going
7 through the Agency to its Operations Directorate and asking
8 you all to do that?

9 Mr. George. He didn't want us to know about it.

10 Mr. Kerr. Do you have any understanding today as to
11 why he didn't want you to know about it?

12 Mr. George. I think they were going to run an
13 operation on their own.

14 Mr. Kerr. When you use the term "they", you are
15 referring to the NSC?

16 Mr. George. I guess so. I would say that. But it
17 is based on an awful lot of television and newspapers over
18 the last three months.

19 Mr. Kerr. Let me focus on Director Casey for a moment.
20 Mr. Allen's testimony is while he didn't tell Director
21 Casey the day he got the assignment he did have a session
22 with Director Casey within the matter of a day or two after
23 the assignment to go over [REDACTED] Did
24 Director Casey apprise you in September of 1985 that
25 Mr. Allen was engaged in this kind of [REDACTED] effort [REDACTED]

m14

1 [REDACTED]
2 Mr. George. No, he did not.

3 Mr. Kerr. When did you learn, if you can recall,
4 that Mr. Allen was engaged in this type of task?

5 Mr. George. The unpeeling of the onion, of the
6 relationships, the complicated relationships that are
7 involved in the Iranian caper came in degrees and degrees
8 and degrees, and we will discuss them I'm sure, the
9 famous flight, when did we know arms were aboard it, when
10 Michael Ledeen approached us independently of the National
11 Security Council in promoting Mr. Ghorbanifar; my first
12 recollection of [REDACTED] that was
13 suddenly being made available to me with great regularity,
14 and I knew the purpose, although I will testify I didn't
15 follow it because there was so damn much of it I couldn't,
16 was after the finding. The finding formalized my participa-
17 tion in it.

18 Mr. Kerr. This strikes me as something of an
19 incongruity here that I wanted to explore to you. The
20 Director turned to the Operations Directorate when he had
21 a shady problem in the fall of 1985. The Director
22 apparently turned to Mr. Allen on a project Colonel North
23 was working on without telling the Operations Director
24 in the fall of 1985, again ultimately as we now know
25 relating to Mr. Ghorbanifar. Was there anything that

m15 1 occurred with regard to the way you all handled the
2 Hashemi matter that left a bad taste or problems between
3 you all and the Director to your knowledge?

4 Mr. George. The issue is we never had a fighting
5 charge on the Ghorbanifar -- I'm jumping to my
6 conclusion. We never had a jumping chance on Ghorbanifar.
7 It wasn't the Hashemi case or it wasn't Ledeem indeed sort
8 of saying this guy is really sensational, he can get a lot of
9 terrorism information.

10 Whether Casey knew it or not, our reaction was going
11 to be this won't work, but the White House was already
12 working it. In other words, we never played with a full
13 deck. I'm running around saying, hey, here is my burn
14 notice, this guy is a loser, and, Christ, he is working
15 with the Government of Israel, he has already arranged
16 a flight, he has helped, I assume, I'm sure you know, he had
17 arranged the November flight or was an intermediary and I'm
18 running around saying we don't want to work with him when
19 two major countries, the Government of Israel, a close
20 ally and ourselves are still working with him. It's
21 sort of would you please get out of the way. They
22 never dealt us a whole deck.

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15A
CAS-1

1 Mr. Kerr. With regard to Colonel North, I am going to
2 leave him aside for the moment, but with regard to
3 Director Casey, again, trying to focus in on what happened,
4 is there anything that you know of in terms of Director
5 Casey's perception of the operations directorate that allowed
6 him to cause this to happen, to have you all marching in
7 one direction while Colonel North on a major initiative is
8 marching in another?

9 Mr. George. Well, you have have to tell me in your
10 report at what point and did Director Casey, is it really
11 true, decide we need something besides the operations
12 directorate to run covert operations? And I might say to
13 you, counsel, and to the good members that this is not
14 the first administration and will not be the last
15 that becomes totally frustrated with its spy service. You
16 want a spy service that produces regularly and we don't.
17 Life is tough. And so at what point a director, and we saw
18 a bit of it in the previous administration and the
19 administration before that, and God knows, the
20 administration before that, I am going to set up an operation
21 and I am going to run it around these bureaucrats.

22 Mr. Kerr. Did you yourself have a perception in
23 the fall of 1985 that Director Casey was prepared to wire
24 around the operations directorate?

25 Mr. George. Not really. I know that now, but, no, my -

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263

CAS-2 1 again, I know this is the hearing, and this is the issue,
2 and it is Iran and contras, which I am sure we will
3 discuss. May I say forgive me, I have [REDACTED] Americans that
4 work for me, I have [REDACTED] foreign nationals who support our
5 intelligence service abroad, I have people in [REDACTED] posts outside
6 the continental United States and we send back and forth
7 any month, God knows most of it is trivia, [REDACTED] telegrams.
8 So this was not my whole world, and if he would have cut
9 me out of a corner of something I would have been so busy
10 doing 20 other things I am not sure I would have noted it.

11 Mr. Kerr. That may underscore the point, but I would
12 point out to you we have a State Department cable which
13 says [REDACTED] was quite negative on the Hashemi
14 initiative. I was curious whether or not you had received
15 as of the fall of 1985 any feedback from the Director that
16 suggested he though you all had been less than aggressive?

17 Mr. George. No, not at all. In fact, to the day I last
18 saw Bill Casey and I had gone into the hospital last fall
19 and many days later Bill Casey went in the hospital, let
20 me assure all of you that he was a warm colleague of mine,
21 I always believed him to be fair, and he was the Director
22 and if he made certain operational decisions, he made
23 them.

24 But personally, although he was not an intimate,
25 personal friend, never at all, he was always good to me.

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284

CAS-3

1 Mr. Kerr. All right. With regard to what is going on
2 during that period of time, we now know Mr. Ghorbanifar
3 came to the United States on or about October 8, 1985,
4 and at that time the only American official with whom he
5 met apparently was Michael Ledeen, and you have as Exhibit
6 35 a copy of Charles Allen's memorandum from October 7,
7 1985, in which Mr. Allen asks for [REDACTED]
8 [REDACTED] that is blocked out but he goes by Ashgari, who
9 we now know to be Mr. Ghorbanifar.

10 Let me set the stage by asking whether or not the
11 operations directorate knew during the first week of October
12 1985 that Manucher Ghorbanifar was in Washington, D.C. in a
13 hotel and ultimately in the Executive Office Building
14 meeting with American officials.

15 Mr. George. No, we did not.

16 Mr. Kerr. Mr. Allen has testified that when he
17 sent up this memorandum, [REDACTED]

18 [REDACTED] he didn't know who Ashgari was. He has testified
19 he didn't know Ashgari's identity until early December
20 1985.

21 Do you have any knowledge of Mr. Allen on behalf of
22 himself or on behalf of the National Security Council asking
23 for an identifier on either Ashgari or Ghorbanifar in the
24 fall of 1985?

25 Mr. George. I do not, sir.

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285

AS-4

1 Mr. Kerr. Mr. Allen has lamented in his deposition
2 testimony that he did not know who Ashgari was because that
3 made it more difficult for him to do [REDACTED] work
4 that was doing. Do you have knowledge today of the
5 compartmenting of Charley Allen by Colonel North, keeping
6 some of this information from him by Colonel North?

7 Mr. George. You are going to have to tell me again.
8 Colonel North telling Charley Allen?

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SLK-1

1 Mr. Kerr. Less that complete information, not telling
2 him, for example, who Ashgari was.

3 Mr. George. I can't speak to that relationship at all.

4 Mr. Kerr. You never had occasion to learn in 1986 that
5 Colonel North wanted to keep some information away from Mr.
6 Allen, is that correct.

7 Mr. George. I couldn't fairly answer that. Once you get
8 after that finding it complicates things a bit. I don't know
9 that. No, I don't ever remember Colonel North in my knowledge
10 saying, don't tell this to Charlie Allen.

11 Mr. Kerr. I think I understand you to be saying that
12 you did not know in early October of 1985 that Michael Ledeen
13 was playing any role with Mr. Ghorbanifar at that time?

14 Mr. George. I did not.

15 Mr. Kerr. The first occasion when the operations director-
16 ate would have had to learn that Mr. Ledeen was in fact involve
17 with Mr. Ghorbanifar would have been in December of 1985?

18 Mr. George. Yes, I was puzzled at that because the documents
19 I have been able to get my hands on indicate then a sudden
20 tremendous, everybody in the whole directorate is being wooed
21 and wined by Mr. Ledeen. But I do not know of anyone -- I mean
22 people could have certainly known him socially, but I do not
23 know of anybody doing business with him.

24 Mr. Kerr. I am driving at the informational exchange
25 between the agency and Ledeen did not occur to the best of

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287

SLK-2

1 of your recollection until late November, early December of
2 1985, would that be correct?

3 Mr. George. That is correct.

4 Mr. Kerr. The agency did become involved with tracking
5 Mr. Ghorbanifar in late October of 1985. We have a series of
6 cables beginning at approximately Exhibit 36,

7 [REDACTED]
8 [REDACTED] We also have a diary entry that
9 suggests that you had talked to Colonel North?

10 Mr. George. I did talk to Colonel North.

11 Mr. Kerr. Can you focus on that episode and tell me your
12 best recollection of what transpired?

13 Mr. George. I talked regularly to him on the telephone
14 and he said would it be possible for the operations directorate
15 on behalf of the NSC to [REDACTED]

16 [REDACTED]
17 [REDACTED] I said of course.

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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SLK-3

1 [REDACTED]
2 Mr. Kerr. Using that as a focal point, did Colonel North
3 tell you why he wanted [REDACTED]
4 [REDACTED]

5 Mr. George. He talked to me and that is a question, since
6 I have been reminded of this incident, what he told me -- sure
7 in hell didn't say we are shipping arms to Iran, [REDACTED]
8 [REDACTED] I don't recall what he told me. I suffer
9 the bureaucrat's disease that when people call me and say, I
10 am calling from the White House for the National Security Council
11 on behalf of the National Security Advisor, I am inclined to
12 "snap to." I do not remember why he told me.

13 Mr. Kerr. In terms of using that as a way of focusing your
14 recollection, you do not believe that you knew at that time of
15 the arms transactions that the Israelis were engaged in?

16 Mr. George. I did not.

17 Mr. Kerr. [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 Mr. George
21 Mr. Kerr.

22 [REDACTED] what instruction, if any, was given
23 to your agents to apprise Colonel North of the nature of the
24 people with whom he apparently was dealing; to tell him about
25 the burn notice?

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289

SLK-4

1 Mr. George. About the burn notice -- I am told by Mr.
2 Cave that some time after [REDACTED] but that would not
3 be until 1986, because when we brought George back -- [REDACTED]
4 [REDACTED] -- he was on contract when we brought
5 him into the Iranian affair -- he has told me [REDACTED] one of
6 them was Ghorbanifar. [REDACTED] I
7 can't remember when anybody would have told Colonel North that
8 this is Manucher Ghorbanifar.

9 Mr. Kerr. [REDACTED] has testified that he is the one that
10 hand-carried [REDACTED] over to Colonel North. Do you have
11 any knowledge of exchange between [REDACTED] and North about who
12 Manucher Ghorbanifar was and what his prior relationship was
13 with the agency?

14 Mr. George. I do not.

15 Mr. Kerr. You do not recall talking with Colonel North
16 about who Manucher Ghorbanifar was at that time; is that right?
17 You didn't have a chat with Colonel North on the nature of
18 Manucher Ghorbanifar?

19 Mr. George. Colonel North told me something about what
20 the sam hill he thought he was doing and I apologize, I can't
21 remember. I cannot beleive he said I am dealing with Mr.
22 Ghorbanifar and [REDACTED]

23 Mr. Kerr. I assume that had you known that you would have
24 apprised Colonel North of the perspective of the Operations
25 Directorate on Manucher Ghorbanifar?

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SLK-5

1 Mr. George. Whatever else I did throughout this affair,
2 when the name Manucher Ghorbanifar was put together with who
3 he was, meaning I suddenly realized he was a man with a burn
4 notice, I am afraid I made a bit of a fool of myself telling
5 everybody that we should stay away from him. I would not have
6 excluded Colonel North from that piece of advice.

7 Mr. Kerr. You don't have a perception today though as
8 to whether or not North knew as of October 1985 of the agency's
9 prior bad relationship with Ghorbanifar?

10 Mr. George. I do not know.

11 Mr. Kerr. Mr. Ledeen was meeting in Switzerland at approx-
12 imately this time, 27th or 28th October, with certain Iranians
13 and has attributed [REDACTED] to informa-
14 tion that he provided to Colonel North as a result of that meet-
15 ing in Switzerland. Did you have any knowledge at that time of
16 Michale Ledeen playing a role with the Iranians on the initia-
17 tive?

18 Mr. George. I did not.

19 Mr. Kerr. So Colonel North, to the best of your recollec-
20 tion when you talked to him about this matter, did not mention
21 that Ledeen was doing anything on this matter?

22 Mr. George. I don't remember Colonel North discussing
23 anything with me except at a later period in time complaining.

24 Mr. Kerr. Moving ahead into November, there is an incident
25 that we have all heard about that occurred when the agency was

SLK-6

1 was asked to provide some air support to Colonel North. Let
2 me ask you to focus on that. We are now the 22nd, 23rd, 24th
3 of November 1985. Your testimony usually picks up on that
4 Monday, the 25th, but bring us into focus on when you learned
5 of this incident.

6 Mr. George. I left Washington for a weekend that weekend.
7 I left Thursday morning and came back Sunday afternoon. I went
8 into the office on Monday morning and John McMahon was in my
9 deputy's office, my deputy was Ed Juchniewicz and John McMahon
10 was visibly and outspokenly disturbed. I don't remember how I
11 put it all together, but I finally got the following picture.
12 Over that weekend, Colonel North had called the chief of my
13 European division and said that it was critical to arrange for
14 an Israeli plane to land [REDACTED]
15 [REDACTED]
16 [REDACTED] We had sent cables to [REDACTED]
17 and [REDACTED] This we
18 now know was General Secord at the time. Our [REDACTED]
19 stayed up all night -- it was a charge, there was great confu-
20 sion going to a foreign government at night and getting special
21 permission for a ;ane from Israel to land is not easy, no matte
22 who you are. John McMahon said to me that Monday morning -- I
23 heard him say to Ed Juchniewicz, and I do remember this, not
24 only did you send the cables, but you let the goddamned airplan
25 go to Tehran. Now we know the story I am telling. I put a

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292

SLK-7 1 cable package -- John said get me those damned cables and I put
2 a cable package together with him, my secretary and I, and
3 delivered it to him, I am sure that very day.-

4 Mr. Kerr. Let me take you back. You would not have been
5 in the office that weekend, correct?

6 Mr. George. I was in the Hilton Hotel in Pittsburgh,
7 Pennsylvania.

8 Mr. Kerr. And no one contacted you in the Hilton Hotel in
9 Pittsburgh about this matter?

10 Mr. George. No.

11 Mr. Kerr. In terms of what happened Monday morning, you
12 come in and it becomes apparent to you that Mr. McMahon is
13 disturbed?

14 Mr. George. As William Saphire said that was the famous
15 through-the-overhead weekend.

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1 Mr. Kerr. Did you, as part of the task that you were
2 given at that point, have a meeting with Mr. Clarridge?

3 Mr. George. I talked to Dewey several times during that
4 day, I said to Dewey, "Bring me the damned cables", I said
5 to my secretary, "Dig up what we have here, get me a package
6 of these things. I've got to get them to McMahon. I am
7 sure I talked to Dewey more than once.

8 Mr. Kerr. Do you recall having a meeting of Clarridge
9 and yourself with Mr. McMahon that day?

10 Mr. George. I don't, but we could have certainly.

11 Mr. Kerr. With regard to the cable traffic, my assump-
12 tion is that you tried to get as complete a collection of
13 cables as you could?

14 Mr. George. It was simple. There were cables sent out
15 from the European Division to [REDACTED] dealing with
16 a flight that was going to originate in Israel and whether I
17 knew whether it was going to Tehran or not, I certainly
18 learned quickly, so it is not a complicated problem to find
19 that traffic and put it together. There is not that much
20 of it.

21 Mr. Kerr. Did it come to your attention from the
22 numbers or otherwise that there were cables in the sequence
23 missing?

24 Mr. George. No, sir.

25 Mr. Kerr. You had your staff do that?

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1 Mr. George. Yes.

2 Mr. Kerr. No one told you there was a cable missing?

3 Mr. George. Among us, it would be my secretary would
4 say, "All right, Claire, we have this little pile of things
5 here in a manila envelope, this is it." She wouldn't, nor
6 would I have ever expected her to say, [REDACTED] is
7 not there", and so there was no, to me, that Monday any
8 such discussion.

9 Mr. Kerr. So to the best of your knowledge, you
10 didn't have an awareness of a missing cable?

11 Mr. George. I did not that day.

12 Mr. Kerr. And until the recent events occurred, did it
13 come to your attention that there were [REDACTED] cables missing
14 at that time?

15 Mr. George. No. I can't remember, so many things have
16 been going on in the last few months, but, no, there never
17 was an issue that there was a cable missing.

18 Mr. Kerr. In terms of the cables, they were coming in
19 on the privacy channel?

20 Mr. George. They were coming in on what we call a
21 privacy channel, a variety of links we have established, I
22 have one, the Director has one, the Deputy Director has one,
23 and each of my geographic division chiefs had one. The
24 primary purpose of this is to handle extremely sensitive
25 personnel matters, of which we have many, as people have

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295

drg-3

1 serious problems abroad.

2 The way it works is, in this case, it would be Mr.
3 Clarridge's privacy channel in Europe. I get a copy of
4 every privacy channel sent out of the Directorate. You
5 cannot communicate with your man overseas without my receiving
6 a copy of it in the privacy channel.

7 Therefore, if the cable -- I have discussed this on
8 many occasions -- if the cable went in and out of the
9 privacy channel, I should have received a copy. The only
10 person who can cable in and out of the building without any
11 other distribution, other than the Office of Communications,
12 is the Director himself.

13 Mr. Kerr. You are familiar with the testimony given
14 by [REDACTED]

15 Mr. George. Very well, and a very close friend for
16 30 years. I have great faith in [REDACTED] and consider
17 him an outstanding officer.

18 Mr. Kerr. You are aware that [REDACTED] has testified
19 that he sent two cables after a meeting with Mr. Copp?

20 Mr. George. I saw [REDACTED] when he came back to
21 testify and talked to [REDACTED] for a long time, and [REDACTED] said
22 he and Dick Secord, known to him I guess only as Copp,
23 stood in the parking lot outside of Copp's hotel in [REDACTED]
24 and Copp said, "Do you know what is going on here?" And
25 poor [REDACTED] had been up for 72 hours trying to get

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1 [REDACTED] to let an Israeli plane land, and he said, "Excuse
2 me, sir, I don't." [REDACTED] reports that the good
3 General Secord said we are trading missiles for hostages.

4 Mr. Kerr. As I understand, you have told me previously,
5 I take it, it continues to be your recollection that you
6 did not see such a cable?

7 Mr. George. I promise you, no matter how many cables
8 we send in and out over a month, that one would have grabbed
9 me.

10 Mr. Kerr. You are aware, as you not, that the agency
11 has been unable to find a [REDACTED] cable that there is a
12 number for?

13 Mr. George. That is correct.

14 Mr. Kerr. Do you know of any explanation for what
15 happened to that missing cable?

16 Mr. George. I suppose three times in the last 20
17 years I have seen a cable eaten alive by the relay station
18 [REDACTED] The odds are so high, I am afraid we would
19 be foolish to think that happened. A cable could have been
20 sent in a nonprivacy channel. [REDACTED] swears the traffic
21 was in privacy channel, he could have put a slug, a signal
22 at the top of the cable which would have sent it somewhere
23 else, all copies then to a single person. The issue which
24 have discussed with your staff and with the staff of the
25 Independent Counsel -- I would find it impossible unless

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297

drg-5

1 there is a cabal of people engaged in a cover-up to sort of
2 send a cable like that, somehow get all the copies of it and
3 make it disappear.

4 Mr. Kerr. And that is because there are a number of
5 people that are supposed to get copies?

6 Mr. George. I am the Office of Protection, and it is
7 not just me. I have a deputy, there are four secretaries,
8 and I have my own registry, mail room in our language, and
9 these things are seen. Even I couldn't fast enough whip up
10 a cable like that and pick up all the companies and make
11 sure no one had seen it.

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CAS-1

1 Mr. Kerr. In terms of the work that was done to collect
2 the cables on that famous Monday morning of November 25th,
3 were you relying on cables that were already in your office --

4 Mr. George. I think we went to Clarridge and said,
5 Dewey, bring us over the weekend cable traffic, please,
6 on this issue with Colonel North. We would almost
7 certainly have depended on that as our record, because other
8 than my own privacy channel, my office just because of
9 paper flow, is not an office of record. So I would have had
10 those cables but I never can swear that I have everybody's
11 privacy channels.

12 Mr. Kerr. It is within the realm of possibility that
13 Mr. Clarridge, who was working that weekend, could have
14 actually taken delivery of the cable traffic as it arrived.

15 Mr. George. He cannot get his hands on the copies that
16 are coming to my office.

17 Mr. Kerr. He cannot, as a matter of policy?

18 Mr. George. He cannot. The policy is that if you are
19 working the privacy channel, which again is mostly about
20 tragedies of personal lives abroad, you cannot take my
21 copies away from me. The only channels that I cannot see
22 is a slip-up -- in terms of my access to sensitive CIA
23 international cable traffic, the only two people who can
24 out-deal me are the Director and the Deputy Director, as it
25 should be.

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299

AS-2

1 Mr. Kerr. Is there any logging system in your office
2 that would show the arrival by number or otherwise of
3 cables?

4 Mr. George. I don't know. No.

5 Mr. Kerr. So there is no document --

6 Mr. George. I cannot say to you, I tell you on this
7 weekend this cable did or didn't come in. There are great
8 piles of them, counsel.

9 Mr. Kerr. Let me shift gears for a moment --

10 Chairman Hamilton. Mr. Kerr, is this a good place to
11 take a break?

12 Mr. Kerr. Certainly.

13 Chairman Hamilton. Then we will take a recess at
14 this point and return tomorrow morning if we may, Mr. George.

15 Mr. George. Mr. Chairman, it would be my pleasure.

16 Chairman Hamilton. At nine o'clock. Until then,
17 this hearing will stand in recess.

18 (Whereupon, at 6:05 p.m. the select committees
19 recessed; to reconvene the following day at 9:00 a.m.)
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